

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Delta County	County Delta
Audit Date 9/30/05	Opinion Date 3/8/06	Date Accountant Report Submitted to State: 3/31/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name) Anderson, Tackman & Co., P.L.C.			
Street Address 901 Ludington Street	City Escanaba	State MI	ZIP 49829
Accountant Signature <i>Anderson, Tackman & Company P.L.C.</i>		Date 3/31/06	

COUNTY OF DELTA, MICHIGAN
BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2005

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	14
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet - Governmental Funds	17
Reconciliation of Governmental Fund Balance Sheet to the Statement of Net Assets	18
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	19
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	20
Statement of Net Assets - Proprietary Funds	21
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds	22
Statement of Cash Flows - Proprietary Funds	23
Statement of Fiduciary Net Assets	24
Notes to the Basic Financial Statements	25
Required Supplemental Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	59
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Revenue Sharing Reserve.....	60
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Renaissance Zone Fund	61

TABLE OF CONTENTS

	<u>Page</u>
Other Supplemental Information:	
Combining Balance Sheet - Nonmajor Governmental Funds	62
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	68
Combining Statement of Net Assets - Nonmajor Proprietary Funds	74
Combining Statement of Revenues, Expenses and Changes in Net Assets - Nonmajor Proprietary Funds	76
Combining Statement of Cash Flows - Nonmajor Proprietary Funds	78
Combining Statement of Net Assets - Internal Service Funds	80
Combining Statement of Revenues, Expenses and Changes in Net Assets - Internal Service Funds	81
Combining Statement of Cash Flows - Internal Service Funds	82
Combining Statement of Fiduciary Net Assets - Agency Funds	83
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	85
Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	87
Schedule of Expenditures of Federal Award	89
Notes to Schedule of Expenditures of Federal Awards	91
Schedule of Findings and Questioned Costs	92
Schedule of Prior Year Findings and Questioned Costs	95



ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
Alan M. Stotz, CPA, Principal
Raymond B. LaMarche, CPA, Principal
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA
Lindsay J. Behrend, CPA
Christina A. Smigowski, CPA

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Commissioners
County of Delta
Escanaba, Michigan 49829

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the County of Delta, Michigan as of and for the year ended September 30, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Delta's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the County of Delta, Michigan as of September 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2006, on our consideration of the County of Delta, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the budgetary comparison information on pages 3 – 13 and 59 - 61, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Delta's basic financial statements. The combining nonmajor fund financial statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements of the County of Delta, Michigan. The combining nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tackman & Company P.L.C.

Anderson, Tackman & Company, PLC
Certified Public Accountants

March 8, 2006

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of Delta County's financial performance provides an overview of the County's financial activities for the fiscal year ending September 30, 2005. Please read it in conjunction with the County's financial statements, which begin on page 14.

FINANCIAL HIGHLIGHTS

- Net assets for the County were reported at \$27,237,277 for 2005 and were \$26,347,338 for 2004, an increase of \$889,943. For 2005, net assets for our business-type activities were \$12,210,093 or 45% of total net assets, while net assets in our governmental activities were \$15,027,184 or 55% of total net assets.
- The County's expenses for 2005 totaled \$14,154,782, while revenues from all sources totaled \$15,044,725, leaving an increase of \$889,943. In 2004, total expenses totaled \$11,487,437 while revenues totaled \$14,337,962, leaving an increase of \$3,563,545.
- In the County's business-type activities, total revenues were \$2,093,801, or 14% of total revenue, while expenses totaled \$1,435,993, or 10% of total expenses. This provides excess revenues over expenses of \$657,808 and is primarily due to federal government participation in capital improvement projects at the airport.
- The General Fund reported an increase in fund balance of \$417,304 in 2005 and \$268,581 in 2004, representing an increase in fund balance of 16% and 12%, respectively. This was after revenues of \$8,330,792 compared to \$8,664,552 in 2004, and expenditures of \$7,126,542 compared to expenses of \$6,612,907 in 2004.

USING THIS REPORT

This annual report consist of a series of financial statements. The Statement of Net Assets and Statement of Activities (on pages 14, 15 and 16) provide information about the activities of the County as a whole and present a longer term view of the County's finances. Fund financial statement start on page 17. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide financial statements by providing information about the County's most significant funds. The remaining statement provides financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of government.

Reporting the County as a whole

Statement of Net Assets and the Statement of Activities

Our analysis of the County as a whole begins on page 6. One of the most important questions asked about the county's finances; "Is the County as a whole better off or in worse condition as a result of this year's activities?" The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current years revenue and expenses are taken into account regardless of when cash is received or paid. These two statements report the County's *net assets* and changes in them. You can think of the County's net assets as the difference between assets and liabilities as one way to measure the County's financial health, or *financial position*. Over time, *increases or decreases* in the County's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the County's property tax base to assess the *overall financial health* of the County.

In the Statement of Net Assets and the Statement of Activities, we divide the County into two categories of activities:

- Governmental activities – Most of the County's basic services are reported here including public safety, judicial system, parks and recreation and general administration. Property taxes and state and federal grant funds make up the majority of revenue for these activities.
- Business-type activities – The County charges a fee to customers to help cover all or most of the costs of certain services it provides. The County Airport and the collection of delinquent property taxes primarily make up these activities.

The County also presents three legally separate component units; District Health Department, County Road Commission and Department of Human Services which are reported separately from the financial information of the County. A separate financial statement is available for the County Road Commission and is available at their administrative offices.

Reporting the County's Most Significant Funds

Fund Financial Statements

Our analysis of the County's Major Funds begins on page 9. The fund financial statements begin on page 17 and provide detailed information on the most significant funds – not the County as a whole. Some funds are required to be established by State law, and by bond covenants. However, the County Board of Commissioners establishes many other funds to help it control and manage money for particular purposes or to show that the Board is meeting legal requirements for certain taxes, grants and other money. The County's two kinds of funds *governmental* and *proprietary* – use different accounting methods.

- *Governmental funds* – Most of the County’s services are reported in governmental funds which focus on how money flows into and out of those funds and the balances that are left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed *short-term* view of the County’s general government operations and the basic services it provides. Governmental fund information helps you to determine whether there are more or fewer financial resources that can be spent in the near future to finance County programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and Statement of Activities) and governmental *funds* in a reconciliation which follows the fund financial statements.

- *Proprietary funds* - When the County charges customers for the services it provides – whether to outside customers or to other units of the County – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the County’s enterprise funds (a component of proprietary funds) are the same as the business-type activities that we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for other County programs and activities.

The County as a Trustee

The County is the trustee, *or fiduciary*, of tax receipts and other collections, that are collected for other agencies and held for periodic payment to those agencies. The County’s fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 24. We exclude these funds from the County’s other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

The County as a Whole

The County's net combined assets grew by \$889,943 in 2005 and \$3,563,545 in 2004.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities	
	2005	2004	2005	2004
Current and other assets	\$ 12,387,432	\$ 12,233,622	\$ 2,980,339	\$ 3,428,746
Capital assets (net)	8,176,611	9,146,241	9,528,097	8,460,695
Total Assets	<u>20,564,043</u>	<u>21,379,863</u>	<u>12,508,436</u>	<u>11,889,441</u>
Long-term debt outstanding	4,531,113	4,785,000	191,523	199,932
Other liabilities	1,005,746	1,799,814	106,820	137,220
Total Liabilities	<u>5,536,859</u>	<u>6,584,814</u>	<u>298,343</u>	<u>337,152</u>
Net Assets:				
Invested in capital assets, net of related debt	3,681,611	4,361,242	9,336,573	8,260,763
Restricted assets:				
Expendable	1,732,895	1,098,312	-	-
Unrestricted	9,612,678	9,335,495	2,873,520	3,291,526
Total net assets	<u>\$ 15,027,184</u>	<u>\$ 14,795,049</u>	<u>\$ 12,210,093</u>	<u>\$ 11,552,289</u>

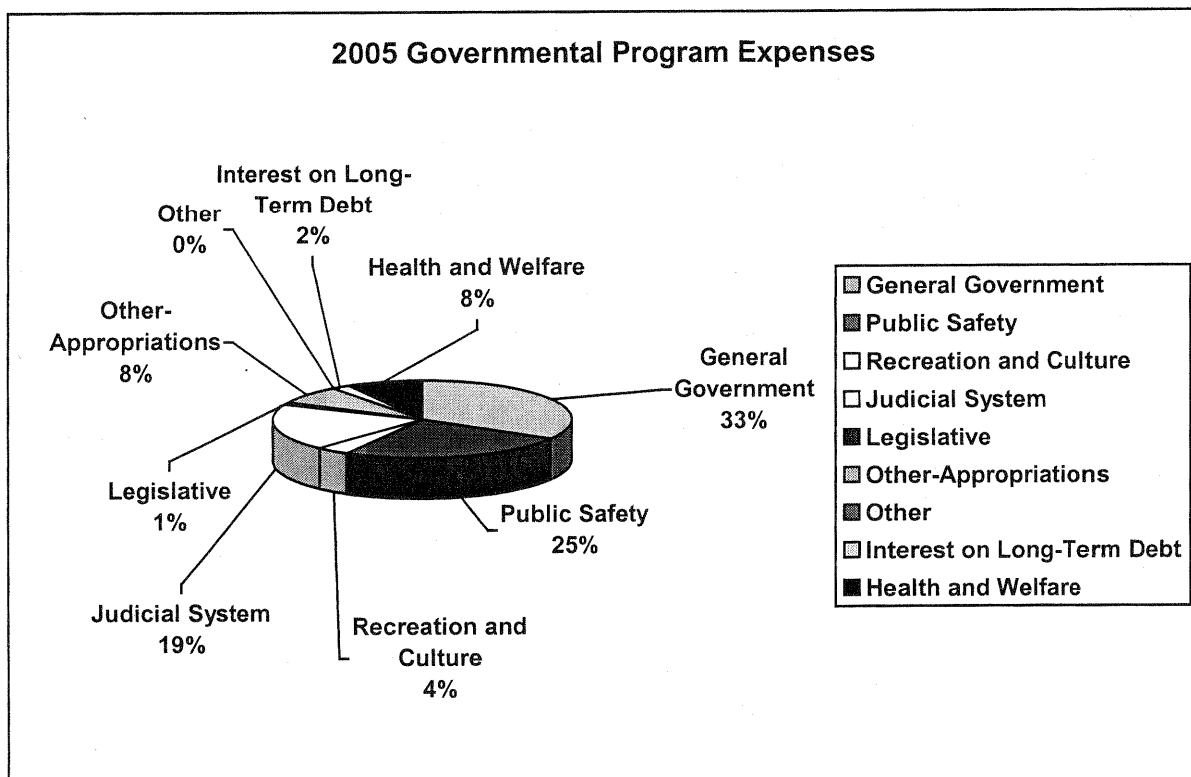
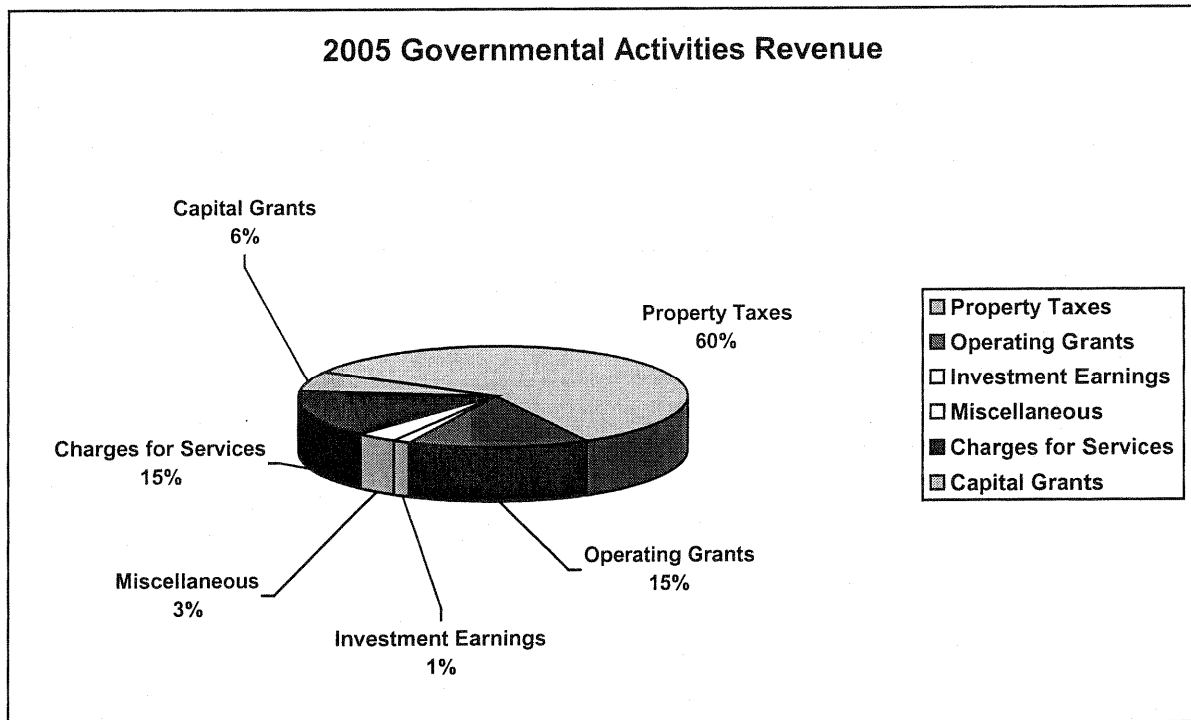
Net assets of the County's governmental activities stood at \$15,027,184, up from \$14,795,049 in 2004 (+1.6%). Unrestricted net assets, the part of net assets that could be used to finance the day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$9,612,678 and \$9,335,495 for 2005 and 2004 respectively.

Net assets in our business-type activities stood at \$12,210,093, up from \$11,552,289 in 2004 (+5.7%). Unrestricted net assets for our business-type activities were \$2,873,520 and \$3,291,526 for 2005 and 2004 respectively. A large portion of net assets in our business-type activities is the result of the federal government funding a large portion of capital improvements at the county airport.

Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activities	
	2005	2004	2005	2004
Revenues:				
Program Revenues:				
Charges for services	\$ 1,974,420	\$ 2,054,231	\$ 1,060,550	\$ 804,746
Operating grants	1,952,585	1,870,749	3,089	43,159
Capital grants	816,040	171,177	1,396,906	2,476,331
General Revenues:				
Property taxes	7,687,781	5,996,717	-	-
State revenue sharing	-	684,997	-	-
Grants and contributions not restricted to specific programs	-	602,606	-	-
Unrestricted investment earnings	183,569	164,309	28	15
Miscellaneous	434,231	359,768	14,675	-
Total Revenues	<u>13,048,626</u>	<u>11,904,554</u>	<u>2,475,248</u>	<u>3,324,251</u>
Program Expenses:				
Legislative	152,512	145,254	-	-
Judicial system	2,445,965	2,493,031	-	-
General government	4,278,031	1,975,609	-	-
Public safety	3,130,519	2,768,148	-	-
Health and welfare	1,035,815	1,120,940	-	-
Recreation and culture	479,937	478,782	-	-
Other-appropriations	956,853	889,422	-	-
Other	400	2,400	-	-
Interest on long-term debt	238,757	252,620	-	-
Delinquent tax revolving	-	-	18,441	19,240
Airport	-	-	1,410,014	995,208
Jail commissary	-	-	7,538	7,783
Total Expenses	<u>12,718,789</u>	<u>10,126,206</u>	<u>1,435,993</u>	<u>1,022,231</u>
Excess (deficiency) before transfers and contributions	329,837	1,778,348	1,039,255	2,302,020
Transfers	<u>(97,702)</u>	<u>(142,485)</u>	<u>(381,447)</u>	<u>(374,338)</u>
Increase (decrease) in net assets	232,135	1,635,863	657,808	1,927,682
Net assets - beginning	<u>14,795,049</u>	<u>13,159,186</u>	<u>11,552,285</u>	<u>9,624,607</u>
Net assets - ending	<u>\$ 15,027,184</u>	<u>\$ 14,795,049</u>	<u>\$ 12,210,093</u>	<u>\$ 11,552,289</u>

Governmental Activities



Governmental Activities

Revenues for the County's governmental activities totaled \$13,048,626, up 9.6% from \$11,904,554 in 2004. A large part of the increase was due to the additional levy of one-third of the County operating levy in July 2005. Expenses were up 25.6% (\$2,592,583) which was partially due to the Renaissance Zone project and there was also a decrease over the prior year in the amount of excess of revenue over expense allocated from the internal service funds.

Table three below reflects the cost of each of the County's five largest activities; Public Safety, Judicial System, General Government, Health and Welfare, and Other – Appropriations, - as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each function placed on the taxpayers.

Table 3
Government Activities

	Total Cost of Services		Net Cost of Services	
	2005	2004	2005	2004
Public safety	\$ 3,130,519	\$ 2,768,148	\$ 2,448,029	\$ 2,066,147
Judicial system	2,445,965	2,493,031	663,581	789,516
General government	4,278,031	1,975,609	2,951,182	1,211,658
Health and welfare	1,035,815	1,120,940	789,029	832,273
Other - appropriations	956,853	889,422	529,039	539,353
Totals	<u>\$ 11,847,183</u>	<u>\$ 9,247,150</u>	<u>\$ 7,380,860</u>	<u>\$ 5,438,947</u>

Business-Type Activities

The County's business-type activities net assets totaled \$12,210,093, with an increase in the current year of \$657,808. A majority of the increase was due to contributions by the federal government for capital improvement projects at the airport.

THE COUNTY'S FUNDS

The focus of the governmental funds of the County is to provide information on near-term inflows, outflows and balances in spendable resources. The fund information is useful to determine short-term financing requirements and can be used to measure the County's net resources available for spending at the end of the fiscal year.

For the current fiscal year the County's governmental funds reported total fund balance of \$5,983,973, which was all unreserved. The General Fund unreserved fund balance amounted to \$3,000,306, with \$91,446 designated for future retirement benefits. The General Fund had an increase in fund balance of \$417,304, representing an increase of 16% over the prior year fund balance.

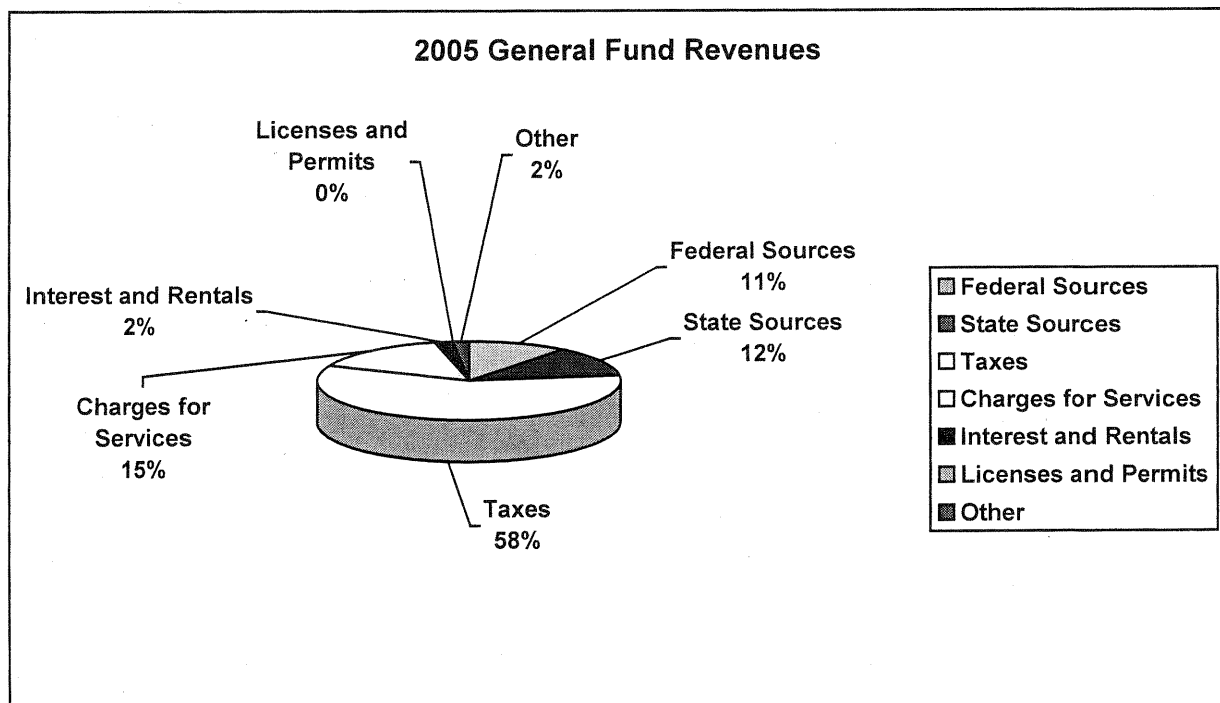
In fiscal year 2005, in accordance with Public Act 357 of 2004, the County established the Revenue Sharing Reserve Fund which is to be used to replace the State revenue sharing payments for the next several years. The Act calls for the County to put one-third of the December 2004 levy into this new fund, and put the same amount in the Revenue Sharing Reserve Fund from the December 2005 and 2006 levy's. In 2005, the County placed \$1,522,753 in property taxes from the December 2004 levy into the Revenue Sharing Reserve Fund and also transferred \$700,752 to the General Fund for operating purposes. In order to make up the shortfall in the General Fund for property tax revenue, the Act allowed the County to levy one-third of their property tax levy in July and that amount has been recognized as revenue in the General Fund for 2005.

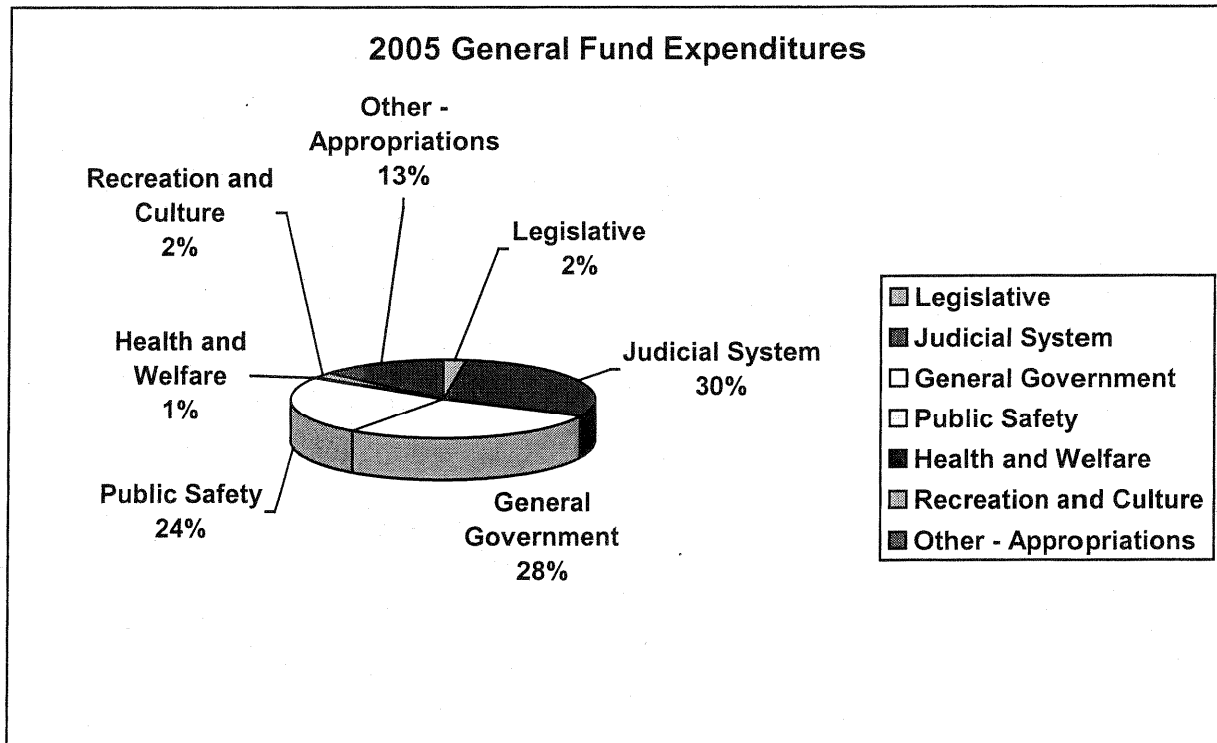
The Renaissance Zone fund was established for the purpose of accounting for the activities relating to the construction of the infrastructure at the Renaissance Zone. The fund balance at year end was a deficit of \$178,066, which relates to the County not currently being able to meet the requirements of a State CDBG grant which was budgeted for as matching funds for the federal grant.

General Fund Budgetary Highlights

Over the course of the year, the budget was amended several times. These amendments were made to recognize changes to revenue or expenditures. The budgeted expenditures of the final amended budget increased by \$1,130,480 over the original budget, representing an increase of 17%. The original budget was projected at breakeven, while the actual results showed an increase to fund balance of \$417,304. This was due to an increase of revenue, primarily from increased property tax revenue and an effort to contain costs resulted in the net change from the original budget to the final actual amounts. The budgeted revenues net change from the original budget to the final amended budget amounted to \$485,230, representing an increase of 6%.

General Fund





CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2005, the County had \$17,704,708, net of accumulated depreciation, invested in a variety of capital assets including machinery and equipment, buildings and improvements, parks, airport infrastructure and land. (See table 4 below)

Table 4
Capital Assets at Year-End
(net of accumulated depreciation)

	Governmental Activities		Business-Type Activities	
	2005	2004	2005	2004
Land	\$ 13,350	\$ 13,350	\$ 1,031,579	\$ 1,031,579
Land Improvements	151,560	164,501	283,978	300,859
Construction in progress	-	649,256	-	-
Buildings and improvements	7,680,217	7,924,798	3,594,887	3,687,268
Machinery & Equipment	331,484	394,336	654,902	306,213
Infrastructure	-	-	3,962,751	3,134,776
Total	\$ 8,176,611	\$ 9,146,241	\$ 9,528,097	\$ 8,460,695

The most significant increase in additions to capital assets is the airport rehabilitation of the taxiway and apron which was completed as of September 30, 2005. This project is funded primarily with federal funding as well as State of Michigan and local funds.

DEBT

At year-end the County had \$4,722,636 in bonds and notes outstanding.

Table 5
Outstanding Debt at Year-End

	Governmental Activities		Business-Type Activities		Totals	
	2005	2004	2005	2004	2005	2004
Building Authority Bonds:						
Service Center	\$ 1,220,000	\$ 1,335,000	\$ -	\$ -	\$ 1,220,000	\$ 1,335,000
Courthouse Renovation	3,275,000	3,450,000	-	-	3,275,000	3,450,000
Notes Payable						
Energy conservation	36,113	42,467	-	-	36,113	42,467
1997 Hanger	-	-	73,297	90,652	73,297	90,652
2001 Hanger	-	-	98,092	109,280	98,092	109,280
Fuel tanker	-	-	20,134	-	20,134	-
Totals	\$ 4,531,113	\$ 4,827,467	\$ 191,523	\$ 199,932	\$ 4,722,636	\$ 5,027,399

There were no significant changes in long-term debt with the exception of the addition of a note payable at the Airport for the purchase of a fuel tanker truck. The State of Michigan limits the amount of general obligation debt that local units of government can issue to 10% of the current equalized valuation, including TIF valuations. The County's outstanding general obligation debt of \$4,827,467 is well below statutory limits.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County Board of Commissioners and county management will consider many factors when setting the fiscal year budget, tax rates and fees that will be charged for services. One of those factors is the uncertainty of State revenue sharing, the shift in County tax collections to the summer and the establishment of a Revenue Sharing Reserve Fund will impact future cash flows. Other changes in State government financing will affect the way programs and services are provided. The continuing issues with funding on both the State and Federal level present financial challenges outside of the County's control that effect the level of services provided. The economy in the Delta County area appears to be flat in relation to job growth or job loss. The cost of living in the Delta County area is below the national and State average, but real estate values continue to climb. The growth of other costs continue to rise at the national inflation rate or lower, with the exception of health care costs which continue to be a concern for the County and local employers. These factors were taken into account when adopting the 2006 budget.

The future budgets of the County need to account for the affects of the above mentioned factors and new ones, while providing for statutory responsibilities. Fluctuations in fuel costs will have a significant impact on some areas of the budget, such as utilities, and indirect affects on others. Reduction in State and Federal programs, without corresponding reductions in service level requirements are likely to occur. The limiting of property tax revenue growth through the Headlee Amendment and Proposal A, may require reductions in discretionary services to fund mandated services. Cash flow issues, due to the shift in property tax collections, will limit the County's ability to use fund reserves. Finally, the uncertainty of the State of Michigan's tax structure, to fund the reinstatement of revenue sharing to counties, makes for an unstable outlook.

We are in the process of the construction of a renovation/addition to the airport terminal. The project was started in 2004 and is expected to be completed in 2005. In addition, in 2004 the County began to install the infrastructure at the Renaissance Zone located at the county airport. This project is being funded in part by a grant from the United States Department of Economic Development Administration, Community Development Block Grant funds from the State of Michigan and local matching funds. Future capital projects that have been deferred in the past few years will need to be addressed, while capital from outside sources is limited.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers and customers, as well as investors and creditors with a general overview of the County's finances and to show the County's accountability for the revenues it receives. If you have questions about this report or need additional information, contact the County Administrator at the Delta County Courthouse, 310 Ludington Street, Escanaba, Michigan, 49829.

COUNTY OF DELTA, MICHIGAN
STATEMENT OF NET ASSETS
September 30, 2005

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 10,412,490	\$ 1,848,506	\$ 12,260,996
Investments	1,055,663	-	1,055,663
Receivables:			
Accounts	39,576	11,925	51,501
Current taxes	239,685	-	239,685
Notes	325,106	-	325,106
Delinquent taxes	-	756,896	756,896
Interest	-	109,408	109,408
Due from other governmental units	206,410	-	206,410
Internal balances	813	-	813
Prepays	107,689	-	107,689
Inventory	-	28,510	28,510
Total current assets	<u>12,387,432</u>	<u>2,755,245</u>	<u>15,142,677</u>
Noncurrent assets:			
Delinquent taxes	-	225,094	225,094
Capital assets, net of accumulated depreciation	<u>8,176,611</u>	<u>9,528,097</u>	<u>17,704,708</u>
Total noncurrent assets	<u>8,176,611</u>	<u>9,753,191</u>	<u>17,929,802</u>
Total assets	<u>\$ 20,564,043</u>	<u>\$ 12,508,436</u>	<u>\$ 33,072,479</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 24,395	\$ 49,868	\$ 74,263
Accrued payroll	164,389	9,112	173,501
Accrued interest	37,818	-	37,818
Due to other governmental units	210,580	-	210,580
Deferred revenue	-	-	-
Long-term liabilities due within one year:			
Compensated absences	142,141	11,960	154,101
Notes payable	6,481	41,184	47,665
Bonds payable	<u>320,000</u>	<u>-</u>	<u>320,000</u>
Total current liabilities	<u>905,804</u>	<u>112,124</u>	<u>1,017,928</u>
Long-term liabilities:			
Compensated absences	426,423	35,880	462,303
Notes payable	29,632	150,339	179,971
Bonds payable	<u>4,175,000</u>	<u>-</u>	<u>4,175,000</u>
Total long-term liabilities	<u>4,631,055</u>	<u>186,219</u>	<u>4,817,274</u>
Total liabilities	<u>5,536,859</u>	<u>298,343</u>	<u>5,835,202</u>
NET ASSETS			
Invested in capital assets, net of related debts	3,681,611	9,336,573	13,018,184
Restricted for:			
Expendable:			
Special revenue	1,596,033	-	1,596,033
Debt service	2,060	-	2,060
Capital projects	134,802	-	134,802
Unrestricted	<u>9,612,678</u>	<u>2,873,520</u>	<u>12,486,198</u>
Total net assets	<u>15,027,184</u>	<u>12,210,093</u>	<u>27,237,277</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 20,564,043</u>	<u>\$ 12,508,436</u>	<u>\$ 33,072,479</u>

See accompanying notes to financial statements.

Component Units		
District Health Department	Road Commission	Department of Human Services
\$ 831,042	\$ 1,230,051	\$ 233,365
-	-	-
184,957	8,585	44,642
-	-	-
-	-	-
-	-	-
185,739	1,433,507	132,647
-	-	-
84,597	12,516	-
-	754,438	-
<u>1,286,335</u>	<u>3,439,097</u>	<u>410,654</u>
-	-	-
142,022	15,948,224	-
<u>142,022</u>	<u>15,948,224</u>	<u>-</u>
\$ 1,428,357	\$ 19,387,321	\$ 410,654
\$ 156,884	\$ 843,185	\$ -
141,818	60,377	-
-	108,438	-
-	43,901	44,642
-	457,866	-
85,186	59,852	-
-	-	-
-	110,000	-
<u>383,888</u>	<u>1,683,619</u>	<u>44,642</u>
255,556	179,555	-
-	-	-
-	5,035,000	-
<u>255,556</u>	<u>5,214,555</u>	<u>-</u>
639,444	6,898,174	44,642
142,022	10,803,224	-
-	-	-
-	-	-
-	-	-
<u>646,891</u>	<u>1,685,923</u>	<u>366,012</u>
788,913	12,489,147	366,012
<u>\$ 1,428,357</u>	<u>\$ 19,387,321</u>	<u>\$ 410,654</u>

**COUNTY OF DELTA, MICHIGAN
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2005**

Functions/Programs Primary government:	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Primary Government		Component Units
				Capital Grants and Contributions	Governmental Activities	Business-type Activities
Legislative	\$ 152,512	\$ -	\$ -	\$ -	\$ (152,512)	\$ -
Judicial system	2,445,965	636,322	1,146,062	-	(663,581)	-
General government	4,278,031	712,018	196,457	418,374	(2,951,182)	-
Public safety	3,130,519	292,034	297,297	93,159	(2,448,029)	-
Health and welfare	1,035,815	42,182	204,604	-	(789,029)	-
Recreation and culture	479,937	276,722	-	-	(203,215)	-
Other - appropriation	956,853	15,142	108,165	304,507	(529,039)	-
Other	238,757	-	-	-	(400)	-
Interest on long-term debt	12,718,789	1,974,420	1,952,585	816,040	(238,757)	-
Total governmental activities					(7,975,744)	(7,975,744)
Business-type activities:						
Delinquent tax revolving	18,441	356,830	-	-	-	338,389
Airport	1,410,014	688,548	3,089	1,396,906	-	678,529
Jail commissary	7,538	15,172	-	-	-	7,634
Total business-type activities	1,435,993	1,060,550	3,089	1,396,906	-	1,024,552
Total primary government	14,154,782	3,034,970	1,955,674	2,212,946	(7,975,744)	(6,951,192)
Component units:						
District Health Department	3,701,485	831,625	2,224,198	-	-	(645,662)
Road Commission	5,436,530	1,365,867	3,949,633	2,152,061	-	2,031,031
Department of Human Services	1,910,890	-	1,998,465	-	-	87,575
Total component units	\$ 11,048,905	\$ 2,197,492	\$ 8,172,296	\$ 2,152,061	-	1,472,944
General revenues:						
Property taxes					7,687,781	-
Grants and contributions not restricted to specific programs					-	-
Unrestricted investment earnings					183,569	28
Miscellaneous					434,231	14,675
Transfers					(97,702)	(381,447)
Total general revenues and transfers					8,207,879	(366,744)
Change in net assets					232,135	657,808
Net assets, beginning					14,795,049	11,552,285
Net assets, ending					\$ 15,027,184	\$ 12,210,093
					\$ 27,237,277	\$ 13,644,072

See accompanying notes to financial statements

COUNTY OF DELTA, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2005

	General Fund	Revenue Sharing Reserve	Renaissance Zone	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and equivalents:					
Unrestricted	\$ 3,356,116	\$ 682,756	\$ (192,803)	\$ 2,515,073	\$ 6,361,142
Receivables:					
Accounts	-	-	-	39,576	39,576
Property taxes	239,685	-	-	-	239,685
Due from other funds	30,331	-	-	86,741	117,072
Due from State of Michigan	186,239	-	14,737	5,434	206,410
Prepaid expense	97,938	-	-	9,751	107,689
Total assets	<u>\$ 3,910,309</u>	<u>\$ 682,756</u>	<u>\$ (178,066)</u>	<u>\$ 2,656,575</u>	<u>\$ 7,071,574</u>
LIABILITIES					
Accounts payable	\$ 5,193	\$ -	\$ -	\$ 19,202	\$ 24,395
Due to other funds	612,469	-	-	85,181	697,650
Due to other governmental units	174,753	-	-	35,827	210,580
Accrued payroll and related liabilities	117,588	-	-	37,388	154,976
Total liabilities	<u>910,003</u>	<u>-</u>	<u>-</u>	<u>177,598</u>	<u>1,087,601</u>
FUND BALANCES					
Unreserved:					
Designated	91,446	-	-	906,815	998,261
Undesignated	2,908,860	682,756	(178,066)	-	3,413,550
Unreserved, reported as non-major:					
Special revenue funds	-	-	-	1,380,266	1,380,266
Debt service	-	-	-	50,209	50,209
Capital projects	-	-	-	141,687	141,687
Total fund balances	<u>3,000,306</u>	<u>682,756</u>	<u>(178,066)</u>	<u>2,478,977</u>	<u>5,983,973</u>
Total liabilities and fund balances	<u>\$ 3,910,309</u>	<u>\$ 682,756</u>	<u>\$ (178,066)</u>	<u>\$ 2,656,575</u>	<u>\$ 7,071,574</u>

See accompanying notes to financial statements.

COUNTY OF DELTA, MICHIGAN
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
September 30, 2005

Total fund balances for governmental funds	\$ 5,983,973
--	--------------

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land and land improvements	271,512	
Buildings and improvements	11,746,313	
Machinery and equipment	813,586	
Accumulated depreciation	<u>(4,654,800)</u>	
Total capital assets		8,176,611

The County uses internal service funds for the purpose of internally financing various County projects and for activities related to the Service Center. The assets and liabilities of these internal service funds are included in the governmental activities in the statement of net assets.

6,004,095

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net assets.

Accrued interest on long-term debt	(37,818)	
Bonds payable	(4,495,000)	
Notes payable	(36,113)	
Compensated absences	<u>(568,564)</u>	<u>(5,137,495)</u>

Total net assets of governmental activities	\$ <u><u>15,027,184</u></u>
---	-----------------------------

See accompanying notes to financial statements.

COUNTY OF DELTA, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2005

	General Fund	Revenue Sharing Reserve	Renaissance Zone	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Taxes	\$ 4,852,245	\$ 1,522,753	\$ -	\$ 1,312,783	\$ 7,687,781
Licenses and permits	7,256	-	-	208,896	216,152
Federal sources	888,435	-	1,020,980	296,644	2,206,059
State sources	1,031,219	-	-	397,732	1,428,951
Local sources	15,142	-	-	163,127	178,269
Charges for services	1,233,312	-	-	10,136	1,243,448
Interest and rentals	170,496	10,546	-	173,193	354,235
Other	132,687	-	-	249,300	381,987
Total revenues	8,330,792	1,533,299	1,020,980	2,811,811	13,696,882
EXPENDITURES:					
Legislative	152,512	-	-	-	152,512
Judicial system	2,146,124	-	-	228,120	2,374,244
General government	1,978,373	149,791	-	338,481	2,466,645
Public safety	1,713,539	-	-	1,312,615	3,026,154
Health and welfare	37,242	-	-	995,163	1,032,405
Recreation and cultural	141,899	-	-	308,776	450,675
Others - appropriations	956,853	-	-	-	956,853
Capital outlay	-	-	1,339,236	78,811	1,418,047
Debt service:					
Principal	-	-	-	290,000	290,000
Interest	-	-	-	241,127	241,127
Other	-	-	-	400	400
Total expenditures	7,126,542	149,791	1,339,236	3,793,493	12,409,062
Excess revenues (expenditures)	1,204,250	1,383,508	(318,256)	(981,682)	1,287,820
OTHER FINANCING SOURCES (USES):					
Transfer in	781,315	-	729,043	1,099,378	2,609,736
Transfer out	(1,568,261)	(700,752)	-	(263,423)	(2,532,436)
Total other financing sources (uses)	(786,946)	(700,752)	729,043	835,955	77,300
Net change in fund balance	417,304	682,756	410,787	(145,727)	1,365,120
Fund balances - beginning of year	2,583,002	-	(588,853)	2,624,704	4,618,853
Fund balances - end of year	\$ 3,000,306	\$ 682,756	\$ (178,066)	\$ 2,478,977	\$ 5,983,973

See accompanying notes to financial statements.

DELTA COUNTY, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2005

Net changes in fund balances - total governmental funds \$ 1,365,120

The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$365,896) exceeded capital outlays (\$60,180). (305,716)

Internal service funds are used by management to account for activities related to accumulating resources to pay for sick leave upon termination, the accumulation of residual equity from delinquent tax collections and the operation of the service center building. The net revenue (expense) of the internal service funds is reported with governmental activities. 50,027

Repayment of principal is an expenditure in the governmental funds but reduces the liability in the Statement of Net Assets.

Principal repayments:

Bond principal	290,000
Note principal	6,353

Under modified accrual, the County considers revenues that are available to finance current liabilities as those that are collected within sixty days. Revenues which were recorded in the government-wide financial statements and not in the governmental fund financial statements amounted to: (648,256)

Net change in net book value of asset disposals (14,657)

Contribution of capital asset infrastructure to the City of Escanaba as part of the Renaissance Zone project (649,256)

Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the following net changes:

Revenue sharing advance expensed in prior year	149,791	
Compensated absences	(13,641)	
Accrued interest on bonds	2,370	138,520

Changes in net assets of governmental activities	\$ 232,135
--	------------

See accompanying notes to financial statements.

COUNTY OF DELTA, MICHIGAN
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
September 30, 2005

	Airport	Tax Revolving 2004	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
ASSETS					
Current assets:					
Cash and cash equivalents					
Unrestricted	\$ 8,905	\$ 992,395	\$ 847,206	\$ 1,848,506	\$ 4,051,348
Investments	-	-	-	-	1,055,663
Receivables:					
Accounts	11,925	-	-	11,925	-
Notes	-	-	-	-	325,106
Current taxes	-	592,617	164,279	756,896	-
Interest	-	55,311	54,097	109,408	-
Due from other funds	-	-	-	-	612,469
Inventory	28,510	-	-	28,510	-
Total current assets	<u>49,340</u>	<u>1,640,323</u>	<u>1,065,582</u>	<u>2,755,245</u>	<u>6,044,586</u>
Noncurrent assets:					
Delinquent taxes	-	197,539	27,555	225,094	-
Capital assets, net of accumulated depreciation	9,528,097	-	-	9,528,097	-
Total noncurrent assets	<u>9,528,097</u>	<u>197,539</u>	<u>27,555</u>	<u>9,753,191</u>	<u>-</u>
Total assets	<u>\$ 9,577,437</u>	<u>\$ 1,837,862</u>	<u>\$ 1,093,137</u>	<u>\$ 12,508,436</u>	<u>\$ 6,044,586</u>
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 49,868	\$ -	\$ -	\$ 49,868	\$ -
Accrued payroll	9,112	-	-	9,112	9,413
Due to other funds	-	-	-	-	31,078
Compensated absences	11,960	-	-	11,960	-
Notes payable	41,184	-	-	41,184	-
Total current liabilities	<u>112,124</u>	<u>-</u>	<u>-</u>	<u>112,124</u>	<u>40,491</u>
Noncurrent liabilities:					
Compensated absences	35,880	-	-	35,880	-
Notes payable	150,339	-	-	150,339	-
Total noncurrent liabilities	<u>186,219</u>	<u>-</u>	<u>-</u>	<u>186,219</u>	<u>-</u>
Total liabilities	<u>298,343</u>	<u>-</u>	<u>-</u>	<u>298,343</u>	<u>40,491</u>
NET ASSETS					
Invested in capital assets, net of related debt	9,336,573	-	-	9,336,573	-
Unrestricted	(57,479)	1,837,862	1,093,137	2,873,520	6,004,095
Total net assets	<u>9,279,094</u>	<u>1,837,862</u>	<u>1,093,137</u>	<u>12,210,093</u>	<u>6,004,095</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,577,437</u>	<u>\$ 1,837,862</u>	<u>\$ 1,093,137</u>	<u>\$ 12,508,436</u>	<u>\$ 6,044,586</u>

See accompanying notes to financial statements.

COUNTY OF DELTA, MICHIGAN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
For the Year Ended September 30, 2005

	Airport	Tax Revolving 2004	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUES:					
Charges for services	\$ 99,899	\$ 56,233	\$ 82,188	\$ 238,320	\$ -
Fuel sales	491,877	-	-	491,877	-
State sources	3,089	-	-	3,089	-
Rental and interest income	96,772	112,747	120,834	330,353	760,535
Miscellaneous	3,822	-	1,735	5,557	6,507
Total operating revenue	695,459	168,980	204,757	1,069,196	767,042
OPERATING EXPENSES:					
Salaries and fringes	413,911	-	3,039	416,950	435,084
Supplies	38,343	6,118	10,686	55,147	58,901
Cost of goods sold	365,338	-	-	365,338	-
Contracted services	18,429	-	2,343	20,772	7,774
Travel	1,097	-	-	1,097	-
Repairs and maintenance	29,219	-	-	29,219	60,690
Utilities	64,867	-	-	64,867	56,141
Recording fees	-	-	3,793	3,793	-
Advertising and promotion	23,736	-	-	23,736	-
Insurance	14,426	-	-	14,426	-
Education and training	5,733	-	-	5,733	-
Lease	11,500	-	-	11,500	-
Depreciation	420,964	-	-	420,964	-
Miscellaneous	860	-	-	860	-
Total operating expenses	1,408,423	6,118	19,861	1,434,402	618,590
Operating income (loss)	(712,964)	162,862	184,896	(365,206)	148,452
NONOPERATING REVENUES (EXPENSES):					
Interest income	28	-	-	28	76,577
Gain on sale of assets	9,118	-	-	9,118	-
Interest expense	(1,591)	-	-	(1,591)	-
Total nonoperating revenue (expense)	7,555	-	-	7,555	76,577
Income (loss) before transfers and contributions	(705,409)	162,862	184,896	(357,651)	225,029
Capital contributions	1,396,906	-	-	1,396,906	-
Transfer in	320,450	1,675,000	9,248	2,004,698	2,413,321
Transfer out	-	-	(2,386,145)	(2,386,145)	(2,588,323)
Change in net assets	1,011,947	1,837,862	(2,192,001)	657,808	50,027
Total net assets - beginning	8,267,147	-	3,285,138	11,552,285	5,954,068
Total net assets - ending	\$ 9,279,094	\$ 1,837,862	\$ 1,093,137	\$ 12,210,093	\$ 6,004,095

See accompanying notes to financial statements.

COUNTY OF DELTA, MICHIGAN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2005

	Airport	Tax Revolving 2004	Nonmajor Enterprise Fund	Total Enterprise Funds	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 604,851	\$ 56,233	\$ 83,908	\$ 744,992	\$ -
Receipts from interest and rents	96,772	57,436	189,313	343,521	971,418
Cash received for collection of taxes	-	1,382,886	909,385	2,292,271	-
Payments to suppliers	(616,024)	(6,118)	(20,093)	(642,235)	(183,506)
Payments for wages and related benefits	(408,201)	-	-	(408,201)	(433,622)
Cash payments for taxes	-	(2,173,042)	-	(2,173,042)	-
Other receipts (payments)	3,822	-	-	3,822	-
Net cash provided (used) by operating activities	(318,780)	(682,605)	1,162,513	161,128	354,290
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating transfer in	320,450	1,675,000	9,248	2,004,698	2,413,321
Operating transfer out	-	-	(2,386,145)	(2,386,145)	(2,588,323)
Net cash provided (used) by noncapital financing activities	320,450	1,675,000	(2,376,897)	(381,447)	(175,002)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase of fixed assets	(1,492,175)	-	-	(1,492,175)	-
Principal paid on debt instruments	(8,409)	-	-	(8,409)	-
Interest paid on debt instruments	(1,591)	-	-	(1,591)	-
Gain on sale of assets	12,927	-	-	12,927	-
Capital contributions	1,396,906	-	-	1,396,906	-
Net cash provided (used) by capital and related financing activities	(92,342)	-	-	(92,342)	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest earnings	28	-	-	28	76,577
Net increase (decrease) in cash and equivalents	(90,644)	992,395	(1,214,384)	(312,633)	255,865
Cash and equivalents, beginning of year	99,549	-	2,061,590	2,161,139	4,851,146
Cash and equivalents, end of year	\$ 8,905	\$ 992,395	\$ 847,206	\$ 1,848,506	\$ 5,107,011
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$ (712,964)	\$ 162,862	\$ 184,896	\$ (365,206)	\$ 148,452
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation expense	420,964	-	-	420,964	-
Changes in assets and liabilities:					
(Increase) decrease in receivables	9,986	(845,467)	977,849	142,368	63,952
(Increase) decrease in due from other funds	-	-	-	-	140,424
(Increase) decrease in inventory	(6,598)	-	-	(6,598)	-
Increase (decrease) in accounts payable	27,072	-	(232)	26,840	-
Increase (decrease) in accrued payroll	5,710	-	-	5,710	1,462
Increase (decrease) in due to other funds	(62,950)	-	-	(62,950)	-
Total adjustments	394,184	(845,467)	977,617	526,334	205,838
Net cash provided by operating activities	\$ (318,780)	\$ (682,605)	\$ 1,162,513	\$ 161,128	\$ 354,290

See accompanying notes to financial statements.

COUNTY OF DELTA, MICHIGAN
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
September 30, 2005

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents:	
Unrestricted	\$ 2,622,572
Due from other funds	<u>14,446</u>
 Total assets	 <u><u>\$ 2,637,018</u></u>
 LIABILITIES	
Due to other funds	\$ 15,259
Due to other governmental units	91,517
Undistributed taxes	1,715,740
Other liabilities	<u>814,502</u>
 Total liabilities	 <u><u>\$ 2,637,018</u></u>

See accompanying notes to financial statements.

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Background - The County of Delta was organized under the provisions of the Michigan Constitution. The County is operated under a Commission/Administrator form of government and provides services in the following functional areas: legislative, courts, public records, public roads, management, building operation and expense, human service, resource management and development, law enforcement, and health services. The County is governed by an elected five member Board of Commissioners, with the county seat located in the City of Escanaba.

The financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The financial statements have been prepared in accordance with GASB Statement 34, *Basic Financial Statements and Management's Discussion and Analysis*. GASB 34 significantly changes financial reporting for governmental agencies by adding government-wide financial statements, management's discussion and analysis and reporting on infrastructure.

Reporting Entity - For financial reporting purposes, in conformance with GASB Statement 14, as amended by GASB Statement 39, Delta County (the primary government) includes all funds, agencies, boards, commissions, other component units, and authorities that are controlled by or dependent on the County's legislative branch, the County Commission. Control by or dependence is determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the County, obligation of the County to finance any deficits that may occur, or receipt of significant subsidies from the County. In addition, State of Michigan - Department of Treasury pronouncements were considered in the determination process. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Component Units - In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units.

Blended Component Units - The County has three component units for which the financial data has been blended with the primary government financial statements.

Parks - The Parks Fund is governed by a board, which is appointed by the County's Board of Commissioners. For financial reporting purposes, the Parks Fund is reported as if it were part of the County's operations because its purpose is to provide recreational facilities to the citizens of the County.

Airport - The members of the governing board of the Delta County Airport are appointed by the County's Board of Commissioners. For financial reporting purposes, the Airport is reported as if it were part of the County's operations because its purpose is to provide the opportunity for air travel for the citizens of the Delta County area.

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Delta County Building Authority - The Delta County Building Authority is governed by a board which has been appointed by the County's Board of Commissioners. For financial reporting purposes, the Building Authority is reported as if it were part of the County's operations because its purpose is to finance construction projects for the County and the departments of the County.

Discretely presented component unit - The component unit columns in the combined financial statements include the financial data of the Delta-Menominee District Health, Department of Human Services and the Delta County Road Commission. The component units are reported in a separate column to emphasize that they are legally separate from the County.

Delta-Menominee District Health - The members of the governing board of Delta-Menominee District Health are jointly appointed by the Delta County Board of Commissioners and Menominee County Board of Commissioners. Two of the three board members appointed by Delta County are County Commissioners. The Health Department's operations and capital budgets must be approved by the County Commissioners. Complete financial statements of the Health Department can be obtained directly from their administrative office. The Health Department received \$738,413 in appropriations, Delta County's appropriation was \$479,150 or 76% of total appropriations and Menominee County's appropriation was \$155,429 or 24% of total appropriations.

Delta-Menominee District Health
2920 College Avenue
Escanaba, Michigan 49829

Department of Human Services - The Department of Human Services in 2004 became a Zone 1 Regional DHS which accounted for the activities of the following counties: Delta, Menominee, Dickinson, Iron, Schoolcraft, Gogebic, Ontonagon and Alger. Each county maintains its own three member DHS board, two appointed by the County and one appointed by the Michigan Governor, but the financial activity is reported in Delta County's financial report because the treasury function of the Agency rests with the Delta County Treasurer. Additional financial information of the agency may be obtained directly from their administrative offices.

Department of Human Services
2920 College Avenue
Escanaba, Michigan 49829

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Delta County Road Commission - The members of the governing board of the Road Commission are elected by the citizenry in a general, popular election. The Road Commission provides the citizens of Delta County road service and maintenance. The Road Commission may not issue debt or levy a tax without the County Board of Commissioners approval.

Delta County Road Commission
3000 32nd Avenue North
Escanaba, Michigan 49829

Related Organization - The Delta Area Transit Authority is an authority for which the Delta County Board of Commissioners appoints the governing board but the Authority is not financially accountable to the County Board. The Delta Area Transit Authority provides low-cost transportation to the citizens of Delta County. Complete financial statements of the Authority can be obtained directly from their administrative office.

Delta Area Transit Authority
2901 27th Avenue North
Escanaba, Michigan 49829

Joint Ventures - Based on the foregoing criteria, the following organizations are not included in the financial report of the County of Delta:

Delta County Landfill Authority - The Authority is formed under separate statutes and ordinances which provide for operation as a joint venture of the participating governmental units. Certain information applicable to the Authority is disclosed in Note Q to the financial statements.

Pinecrest Medical Care Facility - Delta County is a participant with Dickinson and Menominee Counties in a joint venture to operate the Pinecrest Medical Care Facility. The Pinecrest Medical Care Facility was established under PA 178 of 1929 (MCL 404.1) permitting the establishment, operation and control of county medical care facility by two or more counties of less than 1,000,000 population. The Pinecrest Medical Care Board was created for that purpose. The nine-member board is composed of three representatives from each County's Social Services Board. The Counties are obligated by agreement to share equally in providing the local funds necessary for operations and improvements. Pinecrest Medical Care Facility is custodian of their funds and the financial statements are not reported in any one of the three counties. Complete Financial Statements for the Pinecrest Medical Care Facility can be obtained from Pinecrest's Office at N 15995 Main Street, Powers, Michigan 49874.

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Jointly Governed Organization

Pathways -On January 1, 1998 the Delta County Community Mental Health Center merged its operations with Superior Behavioral Health which operates under the name of Pathways.

Pathways was established pursuant to the Michigan Constitution of 1963, Article 7, Section 28, the Mental Health Code, 1974 PA 258, as amended, and the Urban Cooperation Act, 1967 PA 7. The County does not have an ongoing financial interest or an ongoing financial responsibility in Pathways but did make an appropriation in the amount of \$275,608.

Complete financial statements for Pathways can be obtained from their office located at 2820 College Avenue, Escanaba, MI 49829.

Accounting Policies - The accounting policies of the County of Delta conform to accounting principles generally accepted in the United States of America as applicable to state and local governments. The following is a summary of the more significant policies:

Fund Accounting - The accounts of the County are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide and fund financial statements – The government-wide financial statements include a Statement of Net Assets and a Statement of Activities which report the information on all non-fiduciary activities of the primary government and its component units. Most of the effects of interfund activity have been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely primarily on user fees and charges for service. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrate the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identified with a specific function or segment. Program revenues include 1) charges for services to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a specific function or segment and 2) operating grants and contributions that are restricted to meeting the operating or capital requirements of a particular function or segment and 3) other revenues that are by definition related to the cost of providing a specific function or segment. Taxes and other items not specific to particular functions or segments are reported instead as general revenues.

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting and financial statement presentation – The government-wide financial statements use the economic resources measurement focus and full accrual basis of accounting which also include the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectable within the current period or soon thereafter to be used to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements are recorded only when the payment is due.

Property taxes, licenses, interest revenue and charges for services are considered susceptible to accrual and have been recognized as revenues in the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The County reports the following as major governmental funds:

General Fund – The General Fund is the County's primary operating fund. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund.

Revenue Sharing Reserve – The Revenue Sharing Reserve fund accounts for the activities related to the passing of Public Act 357 of 2004, which requires the County to place one-third of their December 2004, 2005 and 2006 levy into this fund and transfer a portion of those funds to the General Fund annually until the Revenue Sharing Reserve fund is depleted. The fund was created to supplement the County for the loss of State revenue sharing payments. The amount transferred to the General Fund is determined annually by the State of Michigan.

Renaissance Zone – The Renaissance Zone fund accounts for the activity relating to the construction of a tax-free industrial airpark, which is located at the County Airport property.

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The County reports the following as major proprietary funds:

Airport – The Airport fund accounts for the activities relating to the operation of a county airport, which is utilized by commercial and private air carriers.

Tax Revolving 2004 – This fund accounts for the purchase and subsequent collection of delinquent real property taxes from the various taxing units throughout the county.

Additionally, the County reports the following fund types:

Governmental Funds:

Special revenue funds – Special revenue funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments for major capital projects) that are legally restricted to expenditures for specified purposes.

Debt service funds – Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital project funds – Capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or in trust funds for individuals, private organizations or other governmental organizations).

Proprietary Funds:

Enterprise funds – Enterprise funds may be used to, “report any activity for which a fee is charged to external users for goods and services.” GASB Statement 34 states that enterprise funds must be used to account for an activity if any of the following three criteria is satisfied:

- The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity.
- Laws or regulations require that the activity’s costs of providing services, including capital costs (such as depreciation or capital debt service), be recovered with fees and charges, rather than with taxes or similar revenues.
- The pricing policies of the activity establishes fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

Internal service funds - These funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the County, or to other governmental entities, on a cost reimbursement basis.

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary Funds:

Agency funds – Agency funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities enterprise funds, subject to the same limitation. The County has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the governmental-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Airport enterprise fund are charges to customers for sales and services and the principal operating revenues of the Tax Revolving 2004 fund are interest and fees collected on delinquent property taxes. The County's internal service funds primarily recognize rental income as operating revenue related to renting space in county owned buildings to other governmental entities. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting - The County utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- a. In mid-year a proposed operating budget for the fiscal year commencing the following October 1st is submitted to the County Board of Commissioners. The operating budget includes proposed expenditures and the means of financing them.
- b. Numerous opportunities exist for public comment during the budget process including at least one formal public hearing conducted at the Courthouse to obtain taxpayer comment.
- c. Pursuant to statute, prior to commencement of a year, the budget for the ensuing year is legally enacted through adoption by the County Board of Commissioners.

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- d. The general statute governing County budgetary activity is the Uniform Budgeting and Accounting Act.
- e. The County of Delta adopts its Annual Budget on a line item basis. The budget structure consists of levels of detail as follows:

- Resources (revenues)
 - General appropriations and functional groups
 - Departmental appropriations

At each level of detail, governmental operations are summarized into revenue or expenditure account groups. Budgetary control exists at the level adopted by the Board of Commissioners. Accounting, i. e. classification control, resides at the line item detail level.

- f. Budgets are adopted on a basis consistent with the accounting principles followed in the recording of transactions. Budgeted amounts reflected in the financial statements are as originally adopted and subsequently amended by the County Board of Commissioners.
- g. Budgets of certain funds reflect utilization of a portion of beginning fund balance. Only the appropriated beginning fund balance amount is reflected in the budgets under the caption "Fund balance, beginning of year."
- h. Budgets have been amended during 2005. All budget amendments are presented to the Finance Committee or the County Administrator by the department heads for approval. In September, the Board of Commissioners approved all amendments to the annual budget.

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash Equivalents and Investments – Cash and investments are segregated on the statement of net assets. Cash deposits consist of demand and time deposits with financial institutions and are reported at carrying amount which is fair value. Investments are stated at cost or amortized cost which approximates market value. For the purpose of the statement of cash flows, the County considers all highly liquid investments with maturities of less than three months or where there is no loss of principal upon early withdrawal, as cash equivalents.

Interfund Receivables and Payables - During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" on the balance sheet.

Inventory - Inventory is valued and recorded as an asset at cost on the first-in first-out method for the Airport enterprise fund. Inventories of all other funds are accounted for as expenditures when purchased.

Property Taxes - Assessed property values are established annually (the first Monday in March) by the local units of government and equalized by the State at an estimated 50% of current market value. Property taxable value is determined in accordance with (MCL 211.34d). The property taxes are levied based on taxable value on December 1, and are payable without penalty through the following February 28.

Real property taxes not paid by February 28 are purchased by the County as part of the March tax settlement. County property taxes are recognized as revenue in the current fiscal year when services financed by the levy are being provided.

The December 2004 taxable valuation of Delta County amounted to \$915,014,217 on which ad valorem taxes of 5.0748 mills were levied for operations, .8825 mills for county road patrol, and .5882 mills for senior citizens programs. The December 2004 tax levy should raise approximately \$4,568,043 for County operations, \$794,375 for road patrol and \$529,465 for senior citizens programs.

In fiscal year 2005, the County is required by Public Act 357 of 2004, to set aside one-third of the December 2004 levy from County operations into a new fund called the Revenue Sharing Reserve Fund, leaving two-thirds of the levy for County General Fund operations. In July 2005, the County levied one-third of the property taxes for County operations and these funds will be used to fund operations for the 2005 fiscal year. For the December 1, 2005 levy, the County will levy two-thirds of the total number of mills allocated for County operations, with \$1,159,297 going into the Revenue Sharing Reserve Fund and the remaining amount going into the General Fund to cover fiscal year 2006 operations. In July 2006, the County will levy two-thirds of the total number of mills allocated for County operations and the proceeds from this levy will fund County operations for the 2006 fiscal year. For the December 1, 2006 levy, the County will levy one-third of the total number of mills allocated for County operations, with \$1,159,297 going into the Revenue Sharing Reserve Fund and the remaining amount going into the County General Fund to cover fiscal year 2007 operations. In July 2007, the County will levy the entire allocated County operating mills, which will be used to cover County operations for the 2007 fiscal year. For fiscal years 2007 and beyond, the County's operating mills will be levied as part of the July levy, leaving only the extra voted mills to be levied each December.

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property Taxes (continued)

Because County operating mills will be levied on July 1st for each fiscal year ended September 30, it is the County of Delta's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made available for financing operations. Available means collected within the current period or expected to be paid from the delinquent tax revolving fund within one year.

The Revenue Sharing Reserve Fund will be funded by property taxes in the amount of \$4,568,259 over a three-year period and will be used to transfer amounts annually to the General Fund in lieu of the County receiving State revenue sharing payments. The amounts to be transferred to the General Fund will be determined by the State of Michigan annually, an amount of \$700,752 was transferred for fiscal year 2005. The County estimates that the Revenue Sharing Reserve Fund will be depleted during the 2012 fiscal year.

Capital Assets – Capital assets, which include property, buildings, equipment and infrastructure assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial individual cost of more than \$5,000 and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the County, as well as its component units, is depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Land improvements	15 - 30
Buildings and improvements	10 - 50
Machinery and equipment	3 - 30
Infrastructure	15 - 30

Compensated Absences – County employees are granted vacation and sick leave in varying amounts based upon employment classification and length of service. Upon termination, employees are paid for accumulated vacation and sick time, based upon current rate of pay subject to certain limitations. Vacation and sick leave pay is fully accrued in the government-wide financial statements and the proprietary financial statements.

Long-Term Obligations – In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Equity - Under the provisions of GASB Statement No. 1, a County may establish reserves for those portions of fund equity not appropriable for expenditure or which are legally segregated for a specific future use. Fund equity designations also may be established to indicate tentative plans for financial resource utilization in a future period.

Other Financing Sources (Uses) - The transfers of cash between the various County funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing and borrowing funds, respectively.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - BUDGET AND FUND BALANCE NON-COMPLIANCE

Budget Violations – Public Act 621 of 1978, as amended, requires the adoption of a balanced budget for the General Fund and Special Revenue Funds, as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

During the year ended September 30, 2005 expenditures were incurred in excess of amounts appropriated in the amended budgets for the following funds:

	<u>Total Appropriation</u>		<u>Expenditures</u>		<u>Budget Variance</u>
County Parks	\$ 115,000	\$	123,374	\$	(8,374)
R.O.D. Automation	72,200		76,583		(4,383)
Law Library	20,575		23,814		(3,239)

During the year ended September 30, 2005, expenditures were incurred in excess of amounts appropriated in the amended budgets for certain activities or functions within the General Fund, however total expenditures did not exceed total appropriations.

Deficit Fund Balance – A deficit existed in the unreserved fund balance of the following funds as of September 30, 2005:

County Parks	\$ 7,703
Building and Zoning	40,075
Law Library	25,329
Renaissance Zone	178,066

Public Act 275 of 1980 requires the County to file a deficit elimination plan with the Michigan Department of Treasury showing how the deficits will be eliminated.

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE C - CASH, CASH EQUIVALENTS AND INVESTMENTS

The County maintains various cash and investment accounts, including pooled funds that are available for use by all funds. Michigan Compiled Laws, Section 129.91 authorizes the County to deposit and invest in the following:

- a. Bonds, securities and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in subdivision (a).
- e. Bankers' acceptances of United States banks.
- f. Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the Investment Company Act of 1940, title I of chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of any of the following:
 - i. The purchase of securities on a when-issued or delayed delivery basis.
 - ii. The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the securities loaned.
 - iii. The limited ability to borrow and pledge a like portion of the portfolios' assets for temporary or emergency purposes.
- h. Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the Urban Cooperation Act of 1967, MCL 124.501 to 124.512.
- i. Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the Local Government Investment Pool Act, MCL 129.141 to 129.150.

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE C - CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

The balance sheet caption "Cash" includes imprest cash of \$3,090. Total imprest cash, deposits, investments and the Governmental Accounting Standards Board (GASB) Statement No. 40, risk disclosures for deposits and investments are as follows:

	Primary Government	
	Carrying Amount	Bank Balance
Cash and equivalents:		
Deposits:		
Insured (FDIC)	\$ 1,579,049	\$ 1,624,510
Uninsured	13,304,519	14,572,146
Total cash	<u>\$ 14,883,568</u>	<u>\$ 16,196,656</u>
Government-Wide Statement of Net Asset Presentation:		
Cash and equivalents:		
Unrestricted	\$ 12,260,996	
Statement of Fiduciary Net Assets		
Cash and equivalents:		
Unrestricted	<u>2,622,572</u>	
Total cash and equivalents	<u>\$ 14,883,568</u>	
Investments:		
Non-risk categorized investments:		
Pooled investment account	<u>\$ 1,055,663</u>	

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE C - CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

The County's cash and investments are subject to several types of risk, which are examined below in more detail:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County does not have a policy for custodial credit risk. As noted in the preceding table, the County has \$14,572,146 of bank deposits that were uninsured and uncollateralized.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County does not have a policy for custodial credit risk. The County's pooled investment account is in a 2a7-like investment pool, which is evidenced by shares in the pool, not by securities that exist in physical or book-entry form.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The County's investments in 2a7-like investment pools are not subject to interest rate risk disclosure.

Credit Risk

State law and the County's investment policy limits the investment in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The County's investments are with MBIA in a 2a7-like investment pool, which is not rated.

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE D - INTERFUND RECEIVABLES AND PAYABLES

Individual interfund receivable and payable balances at September 30, 2005 are as follows:

Fund	Interfund Receivable	Fund	Interfund Payable
		Termination/Sick Leave Trust and Agency	\$ 15,337 14,994
General Fund	\$ 30,331	Subtotal	30,331
Road Patrol	15,741	Termination/Sick Leave	15,741
Residual Equity	612,469	General Fund	612,469
		County Parks	14,181
		Crime Victim Restitution	265
Trust and Agency	14,446		14,446
Co-Probation	71,000	Child Care	71,000
Total	\$ 743,987	Total	\$ 743,987

Financial Statement Presentation:

Governmental Funds	\$ 117,072	Governmental Funds	\$ 697,650
Enterprise Funds	-	Enterprise Funds	-
Internal Service Funds	612,469	Internal Service Funds	31,078
Fiduciary Funds	14,446	Fiduciary Funds	15,259
Total	\$ 743,987		\$ 743,987

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE E – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2005, was as follows:

	Balance at 10/01/04	Additions	Disposals	Balance at 09/30/05
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 13,350	\$ -	\$ -	\$ 13,350
Construction in progress	649,256	-	649,256	-
Capital assets being depreciated:				
Land improvements	258,162	-	-	258,162
Buildings and improvements	11,739,504	6,809	-	11,746,313
Machinery and equipment	779,542	53,371	19,327	813,586
Total capital assets	<u>13,439,814</u>	<u>60,180</u>	<u>668,583</u>	<u>12,831,411</u>
Less accumulated depreciation:				
Land improvements	93,661	12,941	-	106,602
Buildings and improvements	3,814,705	251,390	-	4,066,095
Machinery and equipment	385,207	101,565	4,669	482,103
Total accumulated depreciation	<u>4,293,573</u>	<u>365,896</u>	<u>4,669</u>	<u>4,654,800</u>
Governmental activities capital assets, net	<u>\$ 9,146,241</u>	<u>\$ (305,716)</u>	<u>\$ 663,914</u>	<u>\$ 8,176,611</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 1,031,579	\$ -	\$ -	\$ 1,031,579
Capital assets being depreciated:				
Land improvements	337,621	-	-	337,621
Buildings and improvements	4,318,476	-	-	4,318,476
Machinery and equipment	907,422	426,969	144,640	1,189,751
Infrastructure	5,223,596	1,065,206	-	6,288,802
Total capital assets	<u>11,818,694</u>	<u>1,492,175</u>	<u>144,640</u>	<u>13,166,229</u>
Less accumulated depreciation:				
Land improvements	36,762	16,881	-	53,643
Buildings and improvements	631,207	92,381	-	723,588
Machinery and equipment	601,209	74,470	140,830	534,849
Infrastructure	2,088,821	237,231	-	2,326,052
Total accumulated depreciation	<u>3,357,999</u>	<u>420,963</u>	<u>140,830</u>	<u>3,638,132</u>
Business-type activities capital assets, net	<u>\$ 8,460,695</u>	<u>\$ 1,071,212</u>	<u>\$ 3,810</u>	<u>\$ 9,528,097</u>

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE E – CAPITAL ASSETS (continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Judicial system	\$ 3,944
General government	250,366
Public safety	82,324
Recreation and culture	<u>29,262</u>
Total governmental activities depreciation expense	<u>\$ 365,896</u>
Business-type activities:	
Airport	<u>\$ 420,963</u>

NOTE F - ROAD COMMISSION CAPITAL ASSETS

The following is a summary of changes in capital assets of the Road Commission:

	Balance at 10/01/04	Additions	Disposals	Balance at 09/30/05
Capital assets not being depreciated:				
Land	\$ 1,410,797	\$ -	\$ -	\$ 1,410,797
Construction in progress	-	133,637	-	133,637
Capital assets being depreciated:				
Buildings and improvements	6,764,447	20,774	-	6,785,221
Machinery and equipment	6,299,713	393,895	94,441	6,599,167
Infrastructure - roads	5,335,306	2,471,708	-	7,807,014
Infrastructure - bridges	161,092	-	-	161,092
Total capital assets	<u>19,971,355</u>	<u>3,020,014</u>	<u>94,441</u>	<u>22,896,928</u>
Less accumulated depreciation:				
Buildings and improvements	1,057,735	180,057	-	1,237,792
Machinery and equipment	4,638,461	666,923	94,107	5,211,277
Infrastructure - roads	202,282	288,224	-	490,506
Infrastructure - bridges	5,907	3,222	-	9,129
Total accumulated depreciation	<u>5,904,385</u>	<u>1,138,426</u>	<u>94,107</u>	<u>6,948,704</u>
Capital assets, net	<u>\$ 14,066,970</u>	<u>\$ 1,881,588</u>	<u>\$ 334</u>	<u>\$ 15,948,224</u>

The Road Commission has elected to prospectively report infrastructure assets, rather than retroactively report on infrastructure, as permitted by GASB Statement 34.

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE G – LONG – TERM DEBT

The following is a summary of changes in long-term debt for the year ended September 30, 2005:

Type of Debt	Balance 10/1/2004	Additions	Deductions	Balance 9/30/2005	Amounts Due Within One Year
Governmental activities:					
Building Authority bonds- Service Center	\$ 1,335,000	\$ -	\$ 115,000	\$ 1,220,000	\$ 135,000
Building Authority bonds- Courthouse Renovation	3,450,000	-	175,000	3,275,000	185,000
Energy note	42,467	-	6,353	36,114	6,481
Compensated absences	554,923	13,641	-	568,564	142,141
Total governmental activities long-term debt	<u>\$ 5,382,390</u>	<u>\$ 13,641</u>	<u>\$ 296,353</u>	<u>\$ 5,099,678</u>	<u>\$ 468,622</u>
Business-type activities:					
Note payable-1997 hanger	\$ 90,652	\$ -	\$ 17,355	\$ 73,297	\$ 16,547
Note payable-2001 hanger	109,280	-	11,188	98,092	9,933
Note payable-fuel truck	-	30,000	9,866	20,134	14,704
Compensated absences	43,617	4,223	-	47,840	11,960
Total business-type activities long-term debt	<u>\$ 243,549</u>	<u>\$ 34,223</u>	<u>\$ 38,409</u>	<u>\$ 239,363</u>	<u>\$ 53,144</u>

Debt service requirements on long-term debt at September 30, 2005 are as follows:

For the Year Ending September 30,	Governmental Activities				Business-Type Activities	
	Bonds Payable		Notes Payable		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 320,000	\$ 226,915	\$ 6,481	\$ 663	\$ 41,184	\$ 3,816
2007	330,000	211,050	6,612	532	32,502	3,224
2008	365,000	194,550	6,746	399	27,676	2,324
2009	370,000	176,140	6,882	263	28,293	1,707
2010	375,000	157,330	7,021	124	15,708	1,169
2011-2015	1,790,000	490,455	2,372	10	46,160	2,124
2016-2020	945,000	96,000	-	-	-	-
Total	<u>\$4,495,000</u>	<u>\$1,552,440</u>	<u>\$ 36,114</u>	<u>\$ 1,991</u>	<u>\$ 191,523</u>	<u>\$ 14,364</u>

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE G – LONG – TERM DEBT (continued)

Governmental Activities:

In 1988, the Delta County Building Authority issued bonds for the purpose of constructing a Mental Health Facility. In 1994 the Building Authority redeemed the outstanding 1988 bond issue with a refunding bond issue in the amount of \$2,180,000. Annual principal payments are due each August 1st and semi-annual interest payments are due each February 1st and August 1st, the bonds bear an interest rate ranging between 3.1% to 5.3%.

In 1994 the Delta County Building Authority issued bonds in the amount of \$4,820,000 for the purpose of renovating the county courthouse. Annual principal payments are due each August 1st and semi-annual interest payments are due each February 1st and August 1st, the bonds bear an interest rate of 5%.

In 2004, the County signed a note with Northern Lights Revolving Loan Fund, which is operated by the Michigan Technical Education Center in the amount up to \$250,000 for the purposes of funding certain energy improvement projects on county operated facilities. The note amounted to \$50,632 and will be amortized for seven years and bears an interest rate of 2%.

Business-Type Activities:

During the year ended September 30, 1997 the Residual Equity Fund, an internal service fund, made a loan to the Airport Fund, an enterprise fund, in the amount of \$183,000 for the construction of hangars. The note calls for monthly payments of \$1,500 until the year 2010 and bears an interest rate which varies from year to year and is based upon investment rate of returns earned by the County which was approximately .78% for the year ended September 30, 2005.

Also, during the year ended September 30, 2001, the Airport Fund borrowed an additional \$135,000 from the Residual Equity Fund for the construction of an additional hangar. The note calls for monthly payments of \$1,000 per month until the year 2014 and has the same interest rate feature as the 1997 note.

During the year ended September 30, 2005 the Residual Equity Fund, an internal service fund, made a loan to the Airport Fund, an enterprise fund, in the amount of \$30,000 for the purchase of a fuel tanker truck. The note calls for monthly payments of \$1,250 until the year 2007 and bears an interest rate which varies from year to year and is based upon investment rate of returns earned by the County which was approximately .78% for the year ended September 30, 2005.

Compensated Absences:

Substantially all County employees are entitled to certain vacation and sick pay benefits that accrue and vest under various parameters, dependent upon which labor contract the employee is subject to or upon which department or fund the employee is within. Compensated absences in the amount of \$568,564 are reported under the governmental activities and \$47,840 is reported under business-type activities in the Statement of Net Assets.

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE H - ROAD COMMISSION LONG-TERM DEBT

The general long-term debt of the Road Commission may be summarized as follows:

Type of Debt	Balance 10/1/2004	Additions	Deductions	Balance 9/30/2005	Amounts Due Within One Year
Michigan Transportation Fund Bonds	\$ 5,250,000	\$ -	\$ 105,000	\$ 5,145,000	\$ 110,000
Michigan Transportation Fund Loan	81,811	-	81,811	-	-
Compensated Absences	209,644	29,762	-	239,406	59,852
Total long-term debt	<u>\$ 5,541,455</u>	<u>\$ 29,762</u>	<u>\$ 81,811</u>	<u>\$ 5,384,406</u>	<u>\$ 169,852</u>

Debt service requirements on long-term debt at September 30, 2005 are as follows:

For the Year Ending September 30,	County Road Commission	
	Bonds Payable	
	Principal	Interest
2006	\$ 110,000	\$ 256,538
2007	115,000	250,180
2008	120,000	244,775
2009	125,000	239,140
2010	135,000	233,160
2011-2015	790,000	1,060,917
2016-2020	1,030,000	835,525
2021-2025	1,350,000	536,361
2026-2028	1,370,000	147,081
Total	<u>\$ 5,145,000</u>	<u>\$ 3,803,677</u>

Bonds Payable:

In 1999, the Delta County Board of Commissioners approved and issued Michigan Transportation Fund Bonds in the amount of \$5,690,000 for the purpose of constructing a new county road commission facility. Annual principal payments are due each November 1st and semi-annual interest payments are due each May 1st and November 1st, and bear an interest rate ranging between 4.6% to 7.0%.

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE H – ROAD COMMISSION LONG-TERM DEBT (continued)

Notes Payable:

In November 2000 a Michigan Transportation Loan Fund note was issued to the Road Commission for \$1,075,000. Terms specify repayment at \$198,474 per year plus interest at 4% per year.

Compensated Absences:

The Road Commission employment policies provide for vacation and sick leave benefits to be earned in varying amounts depending on the number of years of service of the employee. The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements and amounted to \$239,407 for the year ended September 30, 2005.

NOTE I – DISTRICT HEALTH COMPENSATED ABSENCES

The Health Department's policies regarding vacation and sick time permits employees to accumulate earned but unused vacation and sick time. The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements and amounted to \$340,742 for the year ended September 30, 2005.

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE J - OPERATING TRANSFERS IN AND OUT

Transfers between governmental and proprietary funds are summarized as follows:

	Transfers In	Transfers Out
Governmental Funds:		
General Fund	\$ 781,315	\$ 1,568,261
Revenue Sharing Reserve	-	700,752
Road Patrol	-	20,000
County Parks	35,000	-
Jail/Out of County Prisoner	-	77,473
Drug Enforcement	20,000	-
Law Library	35,500	-
Soldiers and Sailors	350	-
Co-Probation	71,000	-
Child Care	400,000	71,000
Library Penal Fines	-	4,500
Courthouse Renovation	347,500	-
Service Center Debt	184,028	-
PFC Airport Improvement	-	90,450
Capital Outlay	6,000	
Renaissance Zone	729,043	-
Enterprise Funds:		
Airport	320,450	-
Tax Revolving Administration	9,248	3,090
Tax Revolving 1998	-	821,899
Tax Revolving 2000	-	252,160
Tax Revolving 2001	-	2,791
Tax Revolving 2002	-	4,255
Tax Revolving 2003	-	1,301,950
Tax Revolving 2004	1,675,000	-
Internal Service Funds:		
Termination/Sick Leave	39,261	-
Service Center	-	184,028
Residual Equity	2,374,060	2,404,295
Component Units:		
District Health	479,149	-
Total	<u>\$ 7,506,904</u>	<u>\$ 7,506,904</u>

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE K - RETIREMENT PLANS

General County

Plan Description - The General County, District Health Department (discretely presented component unit) and the County Road Commission (discretely presented component unit) participate in a defined benefit non-contributory retirement plan. The union personnel for the District Health Department participate in a defined benefit contributory plan. All plan types are administered by the Municipal Employee's Retirement System (MERS). All plans cover substantially all full-time employees. MERS is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for Michigan municipal employees.

The Municipal Employees Retirement System of Michigan (MERS) is a multiple-employer statewide public employee retirement plan created by the State of Michigan to provide retirement, survivor and disability benefits, on a voluntary basis to the State's local government employees in the most efficient and effective manner possible. As such, MERS is a non-profit entity qualified under section 401(a) of the Internal Revenue Code, which has the responsibility of administering the law in accordance with the expressed intent of the Legislature and bears a fiduciary obligation to the State of Michigan, the taxpayers and the public employees who are its beneficiaries.

The passage of HB-5525/Act No. 220, with enactment on May 28, 1996 allowed the members of MERS to vote on and determine if MERS should become an independent public corporation. The vote resulted in approval to become independent of State control and MERS began to operate as an independent public corporation effective August 15, 1996. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. A copy of the report may be obtained by writing to MERS at 447 N. Canal Road, Lansing, MI 48917.

General County Retirement Plan - The General County offers its various departments benefit B-4. Benefit B-4 provides for employees to receive 2.5% of their final three or five year final average compensation, depending on the benefit adopted, with a maximum benefit of 80% of the final average compensation. Retirement eligibility and requirements vary by department. The most recent actuarial report gives the details of the plan and a copy is on file at the County Administration office.

Actuarial Accrued Liability - The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2004. Significant actuarial assumptions used in determining the actuarial accrued liability include (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 8.40% per year, depending on age, attributable to seniority/merit.

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE K – RETIREMENT PLANS (continued)

All entries are based on the actuarial methods and assumptions that were used in the December 31, 2004 actuarial valuation to determine the annual employer contribution amounts. The entry age normal actuarial method was used to determine the entries at disclosure.

GASB 25 INFORMATION (as of 12/31/04)

Actuarial Accrued Liability:	
Retirees and beneficiaries currently receiving benefits	\$ 8,242,938
Terminated employees not yet receiving benefits	801,331
Non-vested terminated employees (pending refunds of accumulated member contributions)	25,671
Current Employees:	
Accumulated employee contributions including allocated investment income	301,897
Employer financed	<u>10,990,228</u>
Total actuarial accrued liability	20,362,065
Net assets available for benefits, at actuarial value (market value is \$13,645,605)	<u>13,979,445</u>
Unfunded (overfunded) actuarial accrued liability	\$ 6,382,620

GASB 27 INFORMATION (as of 12/31/04)

Fiscal year beginning	October 1, 2006
Annual required contribution (ARC)	\$ 850,956
Amortization factor used	0.053632

COUNTY OF DELTA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE K - RETIREMENT PLANS (continued)

Contributions Required and Contributions Made - MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the fiscal year ended December 31, 2004 were determined using the entry age normal cost actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years. The following table provides a schedule of contribution amounts and percentages for recent years.

Annual Pension Cost Year Ended September 30,	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
2002	\$ 651,672	100%	\$ -
2003	685,795	100%	-
2004	715,819	100%	-

The General County was required to contribute \$831,477 for the year ended September 30, 2005. Payments were based on contribution calculations made by MERS.

Aggregate Accrued Liabilities - Comparative Schedule

Actuarial Valuation Date December 31,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
2002	\$ 11,803,299	\$ 16,653,992	\$ 4,850,693	71%	\$ 3,540,652	137%
2003	12,945,707	18,167,008	5,221,301	71%	3,729,501	140%
2004	13,979,445	20,362,065	6,382,620	69%	4,039,633	158%

For actuarial valuation purposes, the actuarial value of assets is determined on the basis of a calculation method that assumes the fund earns the expected rate of return (8%), and includes an adjustment to reflect market value.

Actuarial assumptions for MERS valuations were revised for the 1993, 1997, 2000 and 2004 valuations. The funding method was changed to entry age normal for the 1993 valuation.

COUNTY OF DELTA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE K - RETIREMENT PLANS (continued)

The County was required to contribute at an actuarially determined rate, which is a percentage of covered payroll as listed below:

	Contribution Percentage		
	2006 *	2005 *	2004 *
Circuit court employees	17.26%	17.49%	16.99%
Sheriff	18.82%	17.66%	16.59%
General AFSCME	21.12%	21.24%	21.46%
Elected department heads	25.63%	23.96%	23.18%
District court employees	16.94%	15.43%	15.60%
Probate court employees	27.63%	26.97%	28.80%
Road patrol deputy	16.17%	13.13%	14.41%

* Represents the actuarial required contribution for the fiscal year ended.

District Health Department (component unit)

District Health Department Retirement Plan - The District Health Department offers its employees either benefit C-2 or B-4 with six and ten year vesting. Under benefit C-2 employees shall receive 2.0% of their five year final average compensation which is payable until attainment of the age at which unreduced Social Security benefits are available at which time the benefit reverts to the basic Benefit A, C New, C Old, C-1 New, C-1 Old or B-1. Also under benefit C-2, employees have a contribution of between 3% - 5% of annual compensation. Under benefit B-4 employees shall receive 2.5% of their highest five years final average compensation, with a maximum benefit of 80% of the final average compensation. The most recent actuarial report gives the details of the plan and a copy is on file in the accounting department at the District Health Department.

Actuarial Accrued Liability - The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2004. Significant actuarial assumptions used in determining the actuarial accrued liability include (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 8.40% per year, depending on age, attributable to seniority/merit.

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE K - RETIREMENT PLANS (continued)

All entries are based on the actuarial methods and assumptions that were used in the December 31, 2004 actuarial valuation to determine the annual employer contribution amounts. The entry age normal cost actuarial method was used to determine the entries at disclosure.

GASB 25 INFORMATION (as of 12/31/04)

Actuarial Accrued Liability:	
Retirees and beneficiaries currently receiving benefits	\$ 464,487
Terminated employees not yet receiving benefits	497,928
Non-vested terminated employees (pending refunds of accumulated member contributions)	23,224
Current Employees:	
Accumulated employee contributions including allocated investment income	273,252
Employer financed	<u>2,771,115</u>
Total actuarial accrued liability	4,030,006
Net assets available for benefits, at actuarial value (market value is \$4,642,026)	<u>4,755,593</u>
Unfunded (overfunded) actuarial accrued liability	\$ (725,587)

GASB 27 INFORMATION (as of 12/31/04)

Fiscal year beginning	January 1, 2006
Annual required contribution (ARC)	\$ 112,884
Amortization factor used - overfunded liabilities (30 years)	0.053632
Amortization factor used - overfunded liabilities (10 years)	0.119963

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE K – RETIREMENT PLANS (continued)

Contributions Required and Contributions Made - MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the fiscal year ended December 31, 2004 were determined using the entry age normal actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years. The following table provides a schedule of contribution amounts and percentages for recent years.

Annual Pension Cost Year Ended December 31,	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
2002	\$ 90,875	100%	-
2003	115,175	100%	-
2004	131,069	100%	-

The District Health Department made contributions of \$143,986 and members under benefit C-2 made contributions of \$20,285 for the year ended September 30, 2005.

Aggregate Accrued Liabilities - Comparative Schedule

Actuarial Valuation Date December 31,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
2002	\$ 3,946,001	\$ 3,287,251	\$ (658,750)	120%	-	0%
2003	4,370,846	3,745,772	(625,074)	117%	-	0%
2004	4,755,593	4,030,006	(725,587)	118%	-	0%

The Actuarial assumptions for MERS valuations were revised for the 1993, 1997, 2000 and 2004 valuations. The funding method was changed to entry age normal for the 1993 valuation.

County Road Commission (component unit)

Road Commission Retirement Plan - The Delta County Road Commission is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, non-duty connected death and post retirement adjustments to plan members and their beneficiaries.

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE K - RETIREMENT PLANS (continued)

Actuarial Accrued Liability - All entries are based on the actuarial methods and assumptions that were used in the December 31, 2004 actuarial valuation to determine the annual employer contribution amounts. The entry age normal actuarial method was used to determine the entries at disclosure.

GASB 25 INFORMATION (as of 12/31/04)

Actuarial Accrued Liability:	
Retirees and beneficiaries currently receiving benefits	\$ 1,612,546
Terminated employees not yet receiving benefits	107,324
Current Employees:	
Accumulated employee contributions including allocated investment income	-
Employer financed	<u>5,337,451</u>
Total actuarial accrued liability	7,057,321
Net assets available for benefits, at actuarial value (market value is \$2,891,854)	<u>2,962,602</u>
Unfunded (overfunded) actuarial accrued liability	<u><u>\$ 4,094,719</u></u>

GASB 27 INFORMATION (as of 12/31/04)

Fiscal year beginning	January 1, 2006
Annual required contribution (ARC)	\$ 348,264
Amortization factor used - underfunded liabilities (32 years)	0.053632
Amortization factor used - overfunded liabilities (10 years)	0.119963

Contributions Required and Contributions Made - MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the fiscal year ended December 31, 2004 were determined using an attained age actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years. The following table provides a schedule of contribution amounts and percentages for recent years.

Annual Pension Cost Year Ended September 30,	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
2002	\$ 269,407	100%	-
2003	281,915	100%	-
2004	338,142	100%	-

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE K - RETIREMENT PLANS (continued)

The Road Commission was required to contribute \$263,975 for the year ended September 30, 2005. Payments were based on contributions calculations made by MERS.

Aggregate Accrued Liabilities - Comparative Schedule

Actuarial Valuation Date December 31,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
2002	\$ 2,235,693	\$ 5,413,835	\$ 3,178,142	41%	\$ 1,520,642	209%
2003	2,601,444	5,806,310	3,204,866	45%	1,546,860	207%
2004	2,962,602	7,057,321	4,094,719	41%	1,752,568	233%

For actuarial valuation purposes, the actuarial value of assets is determined on the basis of a calculation method that assumes the fund earns the expected rate of return (8%), and includes an adjustment to reflect market value.

Actuarial assumptions for MERS valuations were revised for the 1993, 1997, 2000 and 2004 valuations. The funding method was changed to entry age normal for the 1993 valuation.

NOTE L - AIRPORT HANGAR

A hangar was constructed at the Delta County Airport and is being jointly financed by Delta County, the cities of Escanaba and Gladstone, and the Escanaba Foundation. The hangar financing is in the form of a lease, with the County assuming ownership of the facility upon completion of the terms of the lease. The lease arrangements for the hangar specify a month-to-month lease with lease payments commencing the second year of the lease in the sum of \$1,761.99 per month plus \$.10 per square foot per annum rental for the land. The County receives the rental payments from the lessee and divides the proceeds with 44 percent to the County and 28 percent to each of the cities.

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE M - FUND EQUITY DESIGNATIONS

- A. Fund equity has been designated in the General Fund for future payments to the retirement system in the amount of \$91,446.
- B. Fund equity has been designated in the County Road Patrol Fund for accrued sick and vacation time in the amount of \$165,002.
- C. Fund equity has been designated in the Donations Fund for donations made to the Sheriff's Department for \$53,272.

- D. Fund equity has been designated in the Capital Outlay Fund as follows:

Emergency equipment	\$	62,013
Sheriff grant vehicle		9,000
Courthouse computer		213,687
Probate court recorder		3,600
BOC recorder maintenance		1,902
Telephone maintenance		74,162
Capital projects		24,080
Prosecutor computer system		8,985
Sheriff computer grant		258
Capital outlay		117,036
Equipment repair		108,107
Jail construction project		30,686
Renaissance zone		17,947
Airport terminal project		(14,200)
Michigan Works building		(3,793)
Training		10,000
		<hr/>
Total	\$	<u>663,470</u>

- E. Fund equity has been designated in the Service Center Construction Fund in the amount of \$25,071 for excess bond proceeds from the Building Authority Courthouse Renovation Project.

NOTE N - CONTINGENT LIABILITIES

The County participates in a number of Federal and State assisted grant programs, principal of which are the Friend of Court and Prosecuting Attorney Cooperative Reimbursement programs, which are subject to financial and compliance audits. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the County expects such amounts if any, to be immaterial.

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE O - RISK MANAGEMENT

The County of Delta participates as a member in the Michigan Municipal Risk Management Authority. The Authority is a municipal self-insurance entity operating pursuant to the State of Michigan Public Act 138 of 1982. The purpose of the Authority is to administer a risk management fund, which provides members with loss protection for general and auto liability, motor vehicle physical damage, and property.

The Authority has entered into reinsurance agreements providing for loss coverage in excess of the amounts to be retained by the Authority and individual members. An individual member's maximum retention on general liability and auto liability is \$75,000. The limits on auto physical damage are \$15,000 per unit and \$30,000 per occurrence. The retention limits for property coverage are subject to a \$1,000 deductible with 10 percent of the first \$100,000 to be paid by the member. Some members have individual retention levels different than the ones previously stated.

In the event a reinsurance company does not meet its obligation to the Authority, responsibility for payment of any unreimbursed claims will be that of the Authority Reinsurance Fund.

The Authority has retained certain levels of risk rather than obtaining coverage through reinsurance agreements. The Authority established the Authority Reinsurance Fund in order to participate in the reinsurance agreements. Individual members are provided the same level of coverage previously afforded through a combination of the reinsurance agreements and the Reinsurance Fund.

In addition, the Authority purchases insurance for certain risks not covered by the reinsurance agreements.

At September 30, 2005, the County had no outstanding claims which exceeded the plan's limits and there has been no significant reduction in insurance coverage over the past three years.

NOTE P - TRANSIT AUTHORITY

The Delta Area Transit Authority was established during the Fall of 1989. Funding was secured through the Michigan Department of Transportation to operate the Authority. The County is the pass-through governmental agency for the monies flowing from the State of Michigan to the Authority.

NOTE Q - JOINT VENTURE - DELTA SOLID WASTE LANDFILL

The Delta Solid Waste Management Authority was incorporated in 1984, pursuant to Act 233, Public Acts of Michigan, 1955, by the County of Delta and the local units of government within the County. It was established in order to provide for a new landfill since the current countywide site, owned by the City of Gladstone, was approaching saturation.

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE Q - JOINT VENTURE - DELTA SOLID WASTE LANDFILL (continued)

The Authority is governed by a seven-person Board of Directors, composed of three representatives of the participating townships, three representatives of the participating cities and one member of the Delta County Board of Commissioners. The three members of the Authority Board from the villages and townships will be selected by and from a body composed of one representative from each such township or village; the three board members from the cities shall be selected by and from a body composed of two representatives from each such city; and a member of the Delta County Board of Commissioners shall be chosen by said Board of Commissioners after review of recommendations by the Townships, Villages and City representatives. The Authority as described herein has no taxing power.

The landfill is constructed on land owned by the City of Escanaba and leased, through the County, to the Authority. Landfill construction costs were financed through the issuance of \$1,490,000 of revenue bonds by the County of Delta. The bonds were due in varying annual amounts through June 1, 1991. The County of Delta made its first annual payment of \$210,000 on May 1, 1985 with payments required through May 1, 1989. These payments were recorded as expenditures in the General Fund. The County does not capitalize its interest in the landfill as the County has no legal title to any assets of the landfill.

The following local governmental units are participants in the Authority; shown with their respective percentage shares in the Authority.

<u>Local Governmental Unit</u>	<u>Percentage Share</u>
Delta County	51.80%
City of Escanaba	18.60%
City of Gladstone	5.90%
Local Townships	23.70%
	<u>100.00%</u>

Operation and maintenance costs are paid out of tipping fees assessed against users of the landfill. Parties that use the landfill include the municipal sanitation systems of the cities of Escanaba and Gladstone, and private solid waste companies serving the other local units. The landfill began operation in December 1985. Financial information of the Delta Solid Waste Management Authority and Recycling Program is available at their administrative offices located at 5701 19th Avenue North, Escanaba, MI 49829.

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE Q - JOINT VENTURE - DELTA SOLID WASTE LANDFILL (continued)

During the year ended September 30, 1999, the Delta Solid Waste Management Authority issued bonds in the amount of \$4,275,000 for the purpose of acquiring and constructing certain improvements at the existing landfill. The County is secondarily liable for the bonds and has pledged its limited tax full faith and credit for the payment of its contractual payments, and the County is obligated to pay such amounts from its general funds, including collections of ad valorem taxes on all taxable property within its boundaries, subject to applicable statutory and constitutional tax rate limitations. The estimated total current cost of the landfill closure and postclosure care is \$2,970,500 and is based on the amount that would be paid if all equipment, facilities and services required to close, monitor and maintain the landfill were acquired as of December 31, 2004. The County has signed an open letter of credit for the landfill postclosure costs.

REQUIRED SUPPLEMENTAL INFORMATION

COUNTY OF DELTA, MICHIGAN
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended September 30, 2005

	Budgeted Amounts		Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 4,814,000	\$ 4,850,650	\$ 4,852,245	\$ 1,595
License and permits	3,500	7,250	7,256	6
Federal sources	470,000	594,200	888,435	294,235
State sources	1,182,117	1,274,381	1,031,219	(243,162)
Charges for services	1,131,050	1,318,651	1,248,454	(70,197)
Interest and rentals	156,000	174,175	170,496	(3,679)
Other	319,650	342,240	132,687	(209,553)
Total revenues	8,076,317	8,561,547	8,330,792	(230,755)
EXPENDITURES:				
Legislative:				
Board of commissioners	145,821	154,146	152,512	1,634
Judicial system:				
Circuit court	346,780	346,780	298,873	47,907
District court	646,456	646,456	699,961	(53,505)
Friend of court	664,592	681,942	652,451	29,491
Jury commission	13,300	13,300	4,210	9,090
Probate court	360,621	360,621	359,702	919
Probate court juvenile	131,420	131,420	130,927	493
General government:				
Elections	69,878	107,314	101,706	5,608
Clerk	154,267	169,851	158,189	11,662
Administration	149,328	157,653	153,881	3,772
Equalization	230,610	229,935	220,702	9,233
Prosecuting attorney	481,885	483,185	479,320	3,865
Register of deeds	122,857	123,174	99,679	23,495
Treasurer	198,868	198,868	205,377	(6,509)
Building maintenance	217,891	238,552	227,788	10,764
Drain commissioner	8,912	8,972	8,871	101
Plat board	240	240	40	200
Record copying	13,100	13,100	10,422	2,678
Health insurance and other benefits	-	10,000	5,412	4,588
Insurance and bonds	194,750	194,830	191,388	3,442
Professional fees	66,500	56,500	44,363	12,137
Equipment repair and equipment	37,900	93,015	46,757	46,258
Labor relations	10,000	13,000	12,063	937
Miscellaneous	8,000	8,000	12,415	(4,415)
Public safety:				
Animal shelter	130,657	139,507	139,947	(440)
Sheriff administration	254,893	282,118	269,215	12,903
Sheriff marine	16,140	17,500	19,692	(2,192)
Sheriff corrections	1,193,141	1,209,356	1,267,956	(58,600)
Sheriff inmate work detail	15,461	15,461	16,729	(1,268)
Health and welfare:				
Medical examiner	30,500	30,500	19,183	11,317
Soldier burial	-	-	3,900	(3,900)
Veterans affair	12,350	13,580	13,571	9
Other	-	-	588	(588)
Recreation and culture:				
Extension service	139,911	144,551	141,899	2,652
Other - appropriations	499,025	1,403,107	956,853	446,254
Total expenditures	6,566,054	7,696,534	7,126,542	569,992
Excess revenues (expenditures)	1,510,263	865,013	1,204,250	339,237
OTHER FINANCING SOURCES (USES)				
Transfer in	-	704,000	781,315	77,315
Transfer out	(1,510,263)	(1,569,013)	(1,568,261)	752
Total other financing sources (uses)	(1,510,263)	(865,013)	(786,946)	78,067
Net changes in fund balances	-	-	417,304	417,304
Fund balances - beginning	2,583,002	2,583,002	2,583,002	-
Fund balances - ending	\$ 2,583,002	\$ 2,583,002	\$ 3,000,306	\$ 417,304

COUNTY OF DELTA, MICHIGAN
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
REVENUE SHARING RESERVE
For the Year Ended September 30, 2005

	Budgeted Amounts Original	Final	Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive (Negative)
REVENUES:				
Taxes	\$ -	\$ 1,523,000	\$ 1,522,753	\$ (247)
Interest and rentals	-	5,300	10,546	5,246
Total revenues	-	1,528,300	1,533,299	4,999
EXPENDITURES:				
Capital outlay	-	528,300	149,791	378,509
Excess revenues (expenditures)	-	1,000,000	1,383,508	378,509
OTHER FINANCING SOURCES (USES):				
Transfer out	-	(1,000,000)	(700,752)	299,248
Net changes in fund balances	-	-	682,756	677,757
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ 682,756	\$ 677,757

COUNTY OF DELTA, MICHIGAN
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
RENAISSANCE ZONE
For the Year Ended September 30, 2005

	Budgeted Amounts Original	Final	Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive (Negative)
REVENUES:				
Federal sources	\$ 1,200,000	\$ 1,200,000	\$ 1,020,980	\$ (179,020)
State sources	485,000	485,000	-	(485,000)
Total revenue	1,685,000	1,685,000	1,020,980	(664,020)
EXPENDITURES:				
Capital outlay	2,162,000	2,414,050	1,339,236	1,074,814
Excess revenues (expenditures)	(477,000)	(729,050)	(318,256)	410,794
OTHER FINANCING SOURCES (USES):				
Transfer in	477,000	729,050	729,043	7
Net changes in fund balances	-	-	410,787	410,801
Fund balances - beginning	(588,853)	(588,853)	(588,853)	-
Fund balances - ending	<u>\$ (588,853)</u>	<u>\$ (588,853)</u>	<u>\$ (178,066)</u>	<u>\$ 410,801</u>

COMBINING FUND FINANCIAL STATEMENTS

COUNTY OF DELTA, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2005

	Special Revenue Funds			
	Road Patrol	County Parks	Jail/Out of County Prisoner	Friend of Court
ASSETS				
Cash and equivalents:				
Unrestricted	\$ 401,223	\$ 8,767	\$ 37,457	\$ 196,196
Receivables:				
Accounts	4,442	-	-	-
Due from other funds	15,741	-	-	-
Due from State of Michigan	-	-	-	-
Prepaid expense	9,751	-	-	-
Total assets	<u>\$ 431,157</u>	<u>\$ 8,767</u>	<u>\$ 37,457</u>	<u>\$ 196,196</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ 964	\$ -	\$ -
Due to other funds	-	14,181	-	-
Due to other governmental units	-	-	-	-
Accrued payroll and related liabilities	20,151	1,325	-	-
Total liabilities	<u>20,151</u>	<u>16,470</u>	<u>-</u>	<u>-</u>
Fund balances:				
Unreserved:				
Designated	165,002	-	-	-
Undesignated	246,004	(7,703)	37,457	196,196
Total fund balances	<u>411,006</u>	<u>(7,703)</u>	<u>37,457</u>	<u>196,196</u>
Total liabilities and fund balances	<u>\$ 431,157</u>	<u>\$ 8,767</u>	<u>\$ 37,457</u>	<u>\$ 196,196</u>

See accompanying notes to financial statements.

Special Revenue Funds

<u>Circuit Court Counseling</u>	<u>Community Action</u>	<u>Hannahville Funding</u>	<u>Donations</u>	<u>Building and Zoning</u>	<u>Drug Enforcement</u>	<u>County Survey</u>
\$ 75,456	\$ 9,500	\$ 48,019	\$ 53,272	\$ (35,720)	\$ 17,865	\$ 85,916
-	-	-	-	-	-	21,041
-	-	-	-	-	-	-
-	-	-	-	-	4,629	-
-	-	-	-	-	-	-
<u>\$ 75,456</u>	<u>\$ 9,500</u>	<u>\$ 48,019</u>	<u>\$ 53,272</u>	<u>\$ (35,720)</u>	<u>\$ 22,494</u>	<u>\$ 106,957</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 98	\$ 15,017
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	4,355	1,390	-
-	-	-	-	4,355	1,488	15,017
-	-	-	53,272	-	-	-
<u>75,456</u>	<u>9,500</u>	<u>48,019</u>	<u>-</u>	<u>(40,075)</u>	<u>21,006</u>	<u>91,940</u>
<u>75,456</u>	<u>9,500</u>	<u>48,019</u>	<u>53,272</u>	<u>(40,075)</u>	<u>21,006</u>	<u>91,940</u>
<u>\$ 75,456</u>	<u>\$ 9,500</u>	<u>\$ 48,019</u>	<u>\$ 53,272</u>	<u>\$ (35,720)</u>	<u>\$ 22,494</u>	<u>\$ 106,957</u>

COUNTY OF DELTA, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2005

	Special Revenue Funds			
	R.O.D. Automation	Law Library	CDBG Housing	Training
ASSETS				
Cash and equivalents:				
Unrestricted	\$ 36,959	\$ 13,613	\$ -	\$ 29,213
Receivables:				
Accounts	-	-	-	-
Due from other funds	-	-	-	-
Due from State of Michigan	-	-	-	-
Prepaid expense	-	-	-	-
Total assets	<u>\$ 36,959</u>	<u>\$ 13,613</u>	<u>\$ -</u>	<u>\$ 29,213</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Due to other governmental units	-	-	-	-
Accrued payroll and related liabilities	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Unreserved:				
Designated	-	-	-	-
Undesignated	36,959	13,613	-	29,213
Total fund balances	<u>36,959</u>	<u>13,613</u>	<u>-</u>	<u>29,213</u>
Total liabilities and fund balances	<u>\$ 36,959</u>	<u>\$ 13,613</u>	<u>\$ -</u>	<u>\$ 29,213</u>

See accompanying notes to financial statements.

Special Revenue Funds

<u>DNA Fund</u>	<u>Soldiers and Sailors</u>	<u>Veterans Trust</u>	<u>Co-Probation</u>	<u>Juvenile Drug Grant</u>	<u>Child Care</u>	<u>Capital Outlay</u>
\$ 1,559	\$ 7,628	\$ 882	\$ (64,436)	\$ (24,867)	\$ 638,425	\$ 663,470
-	-	-	14,093	-	-	-
-	-	-	71,000	-	-	-
-	-	-	-	805	-	-
-	-	-	-	-	-	-
<u>\$ 1,559</u>	<u>\$ 7,628</u>	<u>\$ 882</u>	<u>\$ 20,657</u>	<u>\$ (24,062)</u>	<u>\$ 638,425</u>	<u>\$ 663,470</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,123	\$ -
-	-	-	-	-	71,000	-
-	-	-	-	-	-	-
-	-	-	4,089	1,267	4,811	-
-	-	-	4,089	1,267	78,934	-
-	-	-	-	-	-	663,470
<u>1,559</u>	<u>7,628</u>	<u>882</u>	<u>16,568</u>	<u>(25,329)</u>	<u>559,491</u>	<u>-</u>
<u>1,559</u>	<u>7,628</u>	<u>882</u>	<u>16,568</u>	<u>(25,329)</u>	<u>559,491</u>	<u>663,470</u>
<u>\$ 1,559</u>	<u>\$ 7,628</u>	<u>\$ 882</u>	<u>\$ 20,657</u>	<u>\$ (24,062)</u>	<u>\$ 638,425</u>	<u>\$ 663,470</u>

COUNTY OF DELTA, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2005

	<u>Special Revenue</u>		<u>Debt Service Funds</u>	
	<u>Summer Tax</u>	<u>Library Penal Fines</u>	<u>Courthouse Renovation</u>	<u>Service Center Debt</u>
ASSETS				
Cash and equivalents:				
Unrestricted	\$ 15,810	\$ 54,399	\$ 17,084	\$ 31,065
Receivables:				
Accounts	-	-	-	-
Due from other funds	-	-	-	-
Due from State of Michigan	-	-	-	-
Prepaid expense	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 15,810</u>	<u>\$ 54,399</u>	<u>\$ 17,084</u>	<u>\$ 31,065</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Due to other governmental units	8,327	-	-	-
Accrued payroll and related liabilities	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>8,327</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Unreserved:				
Designated	-	-	-	-
Undesignated	7,483	54,399	17,084	31,065
	<u>7,483</u>	<u>54,399</u>	<u>17,084</u>	<u>31,065</u>
Total fund balances	<u>7,483</u>	<u>54,399</u>	<u>17,084</u>	<u>31,065</u>
Total liabilities and fund balances	<u>\$ 15,810</u>	<u>\$ 54,399</u>	<u>\$ 17,084</u>	<u>\$ 31,065</u>

See accompanying notes to financial statements.

Debt Service	Capital Project Funds			Total Nonmajor Governmental Funds
Pinecrest Debt	Service Center Construction	PFC Airport Improvement	Airport Improvement	
\$ 2,060	\$ 123,585	\$ 38,717	\$ 31,956	\$ 2,515,073
-	-	-	-	39,576
-	-	-	-	86,741
-	-	-	-	5,434
-	-	-	-	9,751
<u>\$ 2,060</u>	<u>\$ 123,585</u>	<u>\$ 38,717</u>	<u>\$ 31,956</u>	<u>\$ 2,656,575</u>
\$ -	\$ -	\$ -	\$ -	\$ 19,202
-	-	-	-	85,181
-	-	27,500	-	35,827
-	-	-	-	37,388
-	-	27,500	-	177,598
-	25,071	-	-	906,815
2,060	98,514	11,217	31,956	1,572,162
2,060	123,585	11,217	31,956	2,478,977
<u>\$ 2,060</u>	<u>\$ 123,585</u>	<u>\$ 38,717</u>	<u>\$ 31,956</u>	<u>\$ 2,656,575</u>

COUNTY OF DELTA, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended September 30, 2005

	Special Revenue Funds			
	Road Patrol	County Parks	Jail/Out of County Prisoner	Friend of Court
REVENUES:				
Taxes	\$ 808,856	\$ -	\$ -	\$ -
License and permits	-	-	-	-
Federal sources	94,881	-	-	-
State sources	150,412	-	-	8,930
Local sources	39,410	-	-	339
Charges for services	8,854	69,740	-	-
Interest and rentals	-	-	-	-
Other	3,400	9,154	-	-
Total revenues	1,105,813	78,894	-	9,269
EXPENDITURES:				
Judicial system	-	-	-	4,800
General government	-	-	-	-
Public safety	1,110,601	-	-	-
Health and welfare	-	-	-	-
Recreation and culture	-	119,459	-	-
Capital outlay	24,845	3,915	6,527	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Other	-	-	-	-
Total expenditures	1,135,446	123,374	6,527	4,800
Excess revenues (expenditures)	(29,633)	(44,480)	(6,527)	4,469
OTHER FINANCING SOURCES (USES):				
Transfer in	-	35,000	-	-
Transfer out	(20,000)	-	(77,473)	-
Total other financing sources (uses)	(20,000)	35,000	(77,473)	-
Net changes in fund balance	(49,633)	(9,480)	(84,000)	4,469
Fund balances - beginning	460,639	1,777	121,457	191,727
Fund balances - ending	\$ 411,006	\$ (7,703)	\$ 37,457	\$ 196,196

See accompanying notes to financial statements.

Special Revenue Funds

Circuit Court Counseling	Community Action	Hannahville Funding	Donations	Building and Zoning	Drug Enforcement	County Survey
\$ -	\$ 503,863	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	208,896	-	-
-	-	-	-	-	25,579	-
-	-	-	-	-	814	193,442
4,086	-	-	93,159	-	-	18,312
-	-	-	-	-	-	-
-	-	-	-	7,944	-	-
-	-	-	-	-	-	-
4,086	503,863	-	93,159	216,840	26,393	211,754
831	-	-	-	-	-	198,672
-	-	-	-	259,791	-	-
-	-	-	100,976	-	51,981	-
-	495,683	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
831	495,683	-	100,976	259,791	51,981	198,672
3,255	8,180	-	(7,817)	(42,951)	(25,588)	13,082
-	-	-	-	-	20,000	-
-	-	-	-	-	-	-
-	-	-	-	-	20,000	-
3,255	8,180	-	(7,817)	(42,951)	(5,588)	13,082
72,201	1,320	48,019	61,089	2,876	26,594	78,858
\$ 75,456	\$ 9,500	\$ 48,019	\$ 53,272	\$ (40,075)	\$ 21,006	\$ 91,940

COUNTY OF DELTA, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended September 30, 2005

	Special Revenue Funds			
	R.O.D. Automation	Law Library	CDBG Housing	Training
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
License and permits	-	-	-	-
Federal sources	-	-	79,560	-
State sources	-	-	-	-
Local sources	-	-	-	7,821
Charges for services	49,890	-	-	-
Interest and rentals	-	-	-	-
Other	-	562	-	-
Total revenues	<u>49,890</u>	<u>562</u>	<u>79,560</u>	<u>7,821</u>
EXPENDITURES:				
Judicial system	-	23,817	-	-
General government	76,583	-	-	-
Public safety	-	-	-	1,218
Health and welfare	-	-	79,560	-
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Other	-	-	-	-
Total expenditures	<u>76,583</u>	<u>23,817</u>	<u>79,560</u>	<u>1,218</u>
Excess revenues (expenditures)	<u>(26,693)</u>	<u>(23,255)</u>	<u>-</u>	<u>6,603</u>
OTHER FINANCING SOURCES (USES):				
Transfer in	-	35,500	-	-
Transfer out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>35,500</u>	<u>-</u>	<u>-</u>
Net changes in fund balance	(26,693)	12,245	-	6,603
Fund balances - beginning	<u>63,652</u>	<u>1,368</u>	<u>-</u>	<u>22,610</u>
Fund balances - ending	<u>\$ 36,959</u>	<u>\$ 13,613</u>	<u>\$ -</u>	<u>\$ 29,213</u>

See accompanying notes to financial statements.

Special Revenue Funds

DNA Fund	Soldiers and Sailors	Veterans Trust	Co-Probation	Juvenile Drug Grant	Child Care	Capital Outlay
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	83,925	12,699	-	-
-	-	886	-	-	40,233	-
-	-	-	-	-	-	-
-	-	-	-	-	42,182	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	886	83,925	12,699	82,415	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	802	154,089	47,839	265,029	-
-	-	-	-	-	-	-
-	-	-	-	-	-	8,369
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	802	154,089	47,839	265,029	8,369
-	-	84	(70,164)	(35,140)	(182,614)	(8,369)
-	350	-	71,000	-	400,000	6,000
-	-	-	-	-	(71,000)	-
-	350	-	71,000	-	329,000	6,000
-	350	84	836	(35,140)	146,386	(2,369)
1,559	7,278	798	15,732	9,811	413,105	665,839
\$ 1,559	\$ 7,628	\$ 882	\$ 16,568	\$ (25,329)	\$ 559,491	\$ 663,470

COUNTY OF DELTA, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended September 30, 2005

	Special Revenue		Debt Service Funds	
	Summer Tax	Library Penal Fines	Courthouse Renovation	Service Center Debt
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
License and permits	-	-	-	-
Federal sources	-	-	-	-
State sources	3,015	-	-	-
Local sources	-	-	-	-
Interest and rentals	-	-	-	-
Charges for services	2,192	-	-	-
Other	-	197,828	-	-
Total revenues	5,207	197,828	-	-
EXPENDITURES:				
Judicial system	-	-	-	-
General government	2,107	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Recreation and culture	-	189,317	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	175,000	115,000
Interest	-	-	172,500	68,627
Other	-	-	-	400
Total expenditures	2,107	189,317	347,500	184,027
Excess revenues (expenditures)	3,100	8,511	(347,500)	(184,027)
OTHER FINANCING SOURCES (USES):				
Transfer in	-	-	347,500	184,028
Transfer out	-	(4,500)	-	-
Total other financing sources (uses)	-	(4,500)	347,500	184,028
Net changes in fund balance	3,100	4,011	-	1
Fund balances - beginning	4,383	50,388	17,084	31,064
Fund balances - ending	\$ 7,483	\$ 54,399	\$ 17,084	\$ 31,065

See accompanying notes to financial statements.

Debt Service	Capital Project Funds			Total Nonmajor Governmental Funds
Pinecrest Debt	Service Center Construction	PFC Airport Improvement	Airport Improvement	
\$ 64	\$ -	\$ -	\$ -	\$ 1,312,783
-	-	-	-	208,896
-	-	-	-	296,644
-	-	-	-	397,732
-	-	-	-	163,127
15	2,512	-	-	173,193
-	-	-	-	10,136
-	-	38,356	-	249,300
79	2,512	38,356	-	2,811,811
-	-	-	-	228,120
-	-	-	-	338,481
-	-	-	-	1,312,615
-	-	-	-	995,163
-	-	-	-	308,776
-	86	35,069	-	78,811
-	-	-	-	290,000
-	-	-	-	241,127
-	-	-	-	400
-	86	35,069	-	3,793,493
79	2,426	3,287	-	(981,682)
-	-	-	-	1,099,378
-	-	(90,450)	-	(263,423)
-	-	(90,450)	-	835,955
79	2,426	(87,163)	-	(145,727)
1,981	121,159	98,380	31,956	2,624,704
\$ 2,060	\$ 123,585	\$ 11,217	\$ 31,956	\$ 2,478,977

COUNTY OF DELTA, MICHIGAN
COMBINING STATEMENT OF NET ASSETS
NONMAJOR PROPRIETARY FUNDS
September 30, 2005

	<u>Jail Commissary</u>	<u>Tax Revolving Administration</u>	<u>Tax Revolving 1998</u>	<u>Tax Revolving 1999</u>
ASSETS				
Current assets:				
Cash and cash equivalents				
Unrestricted	\$ 15,097	\$ 30,613	\$ -	\$ -
Investments	-	-	-	-
Receivables:				
Current taxes	-	-	-	-
Interest	-	-	-	-
	<u>15,097</u>	<u>30,613</u>	<u>-</u>	<u>-</u>
Total current assets				
	<u>15,097</u>	<u>30,613</u>	<u>-</u>	<u>-</u>
Noncurrent assets:				
Delinquent taxes	-	-	18	4
	<u>-</u>	<u>-</u>	<u>18</u>	<u>4</u>
Total assets	<u>\$ 15,097</u>	<u>\$ 30,613</u>	<u>\$ 18</u>	<u>\$ 4</u>
LIABILITIES				
Current liabilities	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
NET ASSETS				
Unrestricted	<u>15,097</u>	<u>30,613</u>	<u>18</u>	<u>4</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 15,097</u></u>	<u><u>\$ 30,613</u></u>	<u><u>\$ 18</u></u>	<u><u>\$ 4</u></u>

See accompanying notes to financial statements.

<u>Tax Revolving 2000</u>	<u>Tax Revolving 2001</u>	<u>Tax Revolving 2002</u>	<u>Tax Revolving 2003</u>	<u>Total Nonmajor Proprietary Funds</u>
\$ -	\$ 256,936	\$ 315,743	\$ 228,817	\$ 847,206
-	-	-	-	-
-	-	5,901	158,378	164,279
783	3,161	-	50,153	54,097
783	260,097	321,644	437,348	1,065,582
1,143	8,793	-	17,597	27,555
<u>\$ 1,926</u>	<u>\$ 268,890</u>	<u>\$ 321,644</u>	<u>\$ 454,945</u>	<u>\$ 1,093,137</u>
\$ -	\$ -	\$ -	\$ -	\$ -
1,926	268,890	321,644	454,945	1,093,137
<u>\$ 1,926</u>	<u>\$ 268,890</u>	<u>\$ 321,644</u>	<u>\$ 454,945</u>	<u>\$ 1,093,137</u>

COUNTY OF DELTA, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
NONMAJOR PROPRIETARY FUNDS
For the Year Ended September 30, 2005

	<u>Jail Commissary</u>	<u>Tax Revolving Administration</u>	<u>Tax Revolving 1998</u>	<u>Tax Revolving 1999</u>
OPERATING REVENUES:				
Charges for services	\$ 15,172	\$ -	\$ -	\$ -
Rental and interest income	-	-	5,578	-
Miscellaneous	-	-	-	-
	<u>15,172</u>	<u>-</u>	<u>5,578</u>	<u>-</u>
Total operating revenue				
	<u>15,172</u>	<u>-</u>	<u>5,578</u>	<u>-</u>
OPERATING EXPENSES:				
Salaries and fringes	-	3,039	-	-
Supplies	7,538	-	-	-
Contracted services	-	-	-	-
Recording fees	-	-	-	-
	<u>7,538</u>	<u>3,039</u>	<u>-</u>	<u>-</u>
Total operating expenses				
	<u>7,538</u>	<u>3,039</u>	<u>-</u>	<u>-</u>
Operating income (loss)	<u>7,634</u>	<u>(3,039)</u>	<u>5,578</u>	<u>-</u>
NONOPERATING REVENUES (EXPENSES):				
Transfer in	-	9,248	-	-
Transfer out	-	(3,090)	(821,899)	-
	<u>-</u>	<u>6,158</u>	<u>(821,899)</u>	<u>-</u>
Total nonoperating revenues (expenses)				
	<u>-</u>	<u>6,158</u>	<u>(821,899)</u>	<u>-</u>
Change in net assets	7,634	3,119	(816,321)	-
Total net assets - beginning	<u>7,463</u>	<u>27,494</u>	<u>816,339</u>	<u>4</u>
Total net assets - ending	<u>\$ 15,097</u>	<u>\$ 30,613</u>	<u>\$ 18</u>	<u>\$ 4</u>

See accompanying notes to financial statements.

Tax Revolving 2000	Tax Revolving 2001	Tax Revolving 2002	Tax Revolving 2003	Total Nonmajor Proprietary Funds
\$ 15	\$ 205	\$ 9,037	\$ 57,759	\$ 82,188
1,530	1,922	6,868	104,936	120,834
-	95	1,640	-	1,735
1,545	2,222	17,545	162,695	204,757
-	-	-	-	3,039
-	-	-	3,148	10,686
-	-	-	2,343	2,343
-	-	1,003	2,790	3,793
-	-	1,003	8,281	19,861
1,545	2,222	16,542	154,414	184,896
-	-	-	-	9,248
(252,160)	(2,791)	(4,255)	(1,301,950)	(2,386,145)
(252,160)	(2,791)	(4,255)	(1,301,950)	(2,376,897)
(250,615)	(569)	12,287	(1,147,536)	(2,192,001)
252,541	269,459	309,357	1,602,481	3,285,138
\$ 1,926	\$ 268,890	\$ 321,644	\$ 454,945	\$ 1,093,137

COUNTY OF DELTA, MICHIGAN
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
For the Year Ended September 30, 2005

	Jail Commissary	Tax Revolving Administration	Tax Revolving 1998	Tax Revolving 1999
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 15,172	\$ -	\$ -	\$ -
Receipts from interest and rents	-	-	5,578	-
Cash received for collection of taxes	-	-	-	-
Payments to suppliers	(7,538)	(3,271)	-	-
Net cash provided (used) by operating activities	7,634	(3,271)	5,578	-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer in	-	9,248	-	-
Transfer out	-	(3,090)	(821,899)	-
Net cash provided (used) by noncapital financing activities	-	6,158	(821,899)	-
Net increase (decrease) in cash and equivalents	7,634	2,887	(816,321)	-
Cash and equivalents, beginning of year	7,463	27,726	816,321	-
Cash and equivalents, end of year	\$ 15,097	\$ 30,613	\$ -	\$ -
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 7,634	\$ (3,039)	\$ 5,578	\$ -
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Changes in assets and liabilities:				
(Increase) decrease in receivables	-	-	-	-
Increase (decrease) in accounts payable	-	(232)	-	-
Total adjustments	-	(232)	-	-
Net cash provided by operating activities	\$ 7,634	\$ (3,271)	\$ 5,578	\$ -

See accompanying notes to financial statements.

<u>Tax Revolving 2000</u>	<u>Tax Revolving 2001</u>	<u>Tax Revolving 2002</u>	<u>Tax Revolving 2003</u>	<u>Total Nonmajor Proprietary Funds</u>
\$ -	\$ 300	\$ 10,677	\$ 57,759	\$ 83,908
-	2,988	63,856	116,891	189,313
1,560	2,479	194,058	711,288	909,385
-	-	(1,003)	(8,281)	(20,093)
<u>1,560</u>	<u>5,767</u>	<u>267,588</u>	<u>877,657</u>	<u>1,162,513</u>
-	-	-	-	9,248
<u>(252,160)</u>	<u>(2,791)</u>	<u>(4,255)</u>	<u>(1,301,950)</u>	<u>(2,386,145)</u>
<u>(252,160)</u>	<u>(2,791)</u>	<u>(4,255)</u>	<u>(1,301,950)</u>	<u>(2,376,897)</u>
(250,600)	2,976	263,333	(424,293)	(1,214,384)
<u>250,600</u>	<u>253,960</u>	<u>52,410</u>	<u>653,110</u>	<u>2,061,590</u>
<u>\$ -</u>	<u>\$ 256,936</u>	<u>\$ 315,743</u>	<u>\$ 228,817</u>	<u>\$ 847,206</u>
<u>\$ 1,545</u>	<u>\$ 2,222</u>	<u>\$ 16,542</u>	<u>\$ 154,414</u>	<u>\$ 184,896</u>
15	3,545	251,046	723,243	977,849
-	-	-	-	(232)
<u>15</u>	<u>3,545</u>	<u>251,046</u>	<u>723,243</u>	<u>977,617</u>
<u>\$ 1,560</u>	<u>\$ 5,767</u>	<u>\$ 267,588</u>	<u>\$ 877,657</u>	<u>\$ 1,162,513</u>

COUNTY OF DELTA, MICHIGAN
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
September 30, 2005

	Termination/ Sick Leave	Residual Equity Transfer	Service Center	Total Internal Service Funds
ASSETS				
Current assets:				
Cash and cash equivalents				
Unrestricted	\$ 160,981	\$ 3,220,681	\$ 669,686	\$ 4,051,348
Investments	-	1,055,663	-	1,055,663
Notes receivable	-	325,106	-	325,106
Due from other funds	-	612,469	-	612,469
Total assets	<u>\$ 160,981</u>	<u>\$ 5,213,919</u>	<u>\$ 669,686</u>	<u>\$ 6,044,586</u>
LIABILITIES				
Current liabilities:				
Accrued payroll	\$ -	\$ -	\$ 9,413	\$ 9,413
Due to other funds	31,078	-	-	31,078
Total liabilities	<u>31,078</u>	<u>-</u>	<u>9,413</u>	<u>40,491</u>
NET ASSETS				
Unrestricted	<u>129,903</u>	<u>5,213,919</u>	<u>660,273</u>	<u>6,004,095</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 160,981</u>	<u>\$ 5,213,919</u>	<u>\$ 669,686</u>	<u>\$ 6,044,586</u>

See accompanying notes to financial statements.

COUNTY OF DELTA, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS
For the Year Ended September 30, 2005

	Termination/ Sick Leave	Residual Equity Transfer	Service Center	Total Internal Service Funds
OPERATING REVENUES:				
Rental and interest income	\$ -	\$ 9,395	\$ 751,140	\$ 760,535
Miscellaneous	-	891	5,616	6,507
Total operating revenue	-	10,286	756,756	767,042
OPERATING EXPENSES:				
Salaries and fringes	24,261	-	410,823	435,084
Supplies	-	-	58,901	58,901
Contracted services	-	-	7,774	7,774
Repairs and maintenance	-	-	60,690	60,690
Utilities	-	-	56,141	56,141
Total operating expenses	24,261	-	594,329	618,590
Operating income (loss)	(24,261)	10,286	162,427	148,452
NONOPERATING REVENUES (EXPENSES):				
Interest income	-	76,577	-	76,577
Income (loss) before transfers and contributions	(24,261)	86,863	162,427	225,029
Transfer in	39,261	2,374,060	-	2,413,321
Transfer out	-	(2,404,295)	(184,028)	(2,588,323)
Change in net assets	15,000	56,628	(21,601)	50,027
Total net assets - beginning	114,903	5,157,291	681,874	5,954,068
Total net assets - ending	\$ 129,903	\$ 5,213,919	\$ 660,273	\$ 6,004,095

See accompanying notes to financial statements.

COUNTY OF DELTA, MICHIGAN
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended September 30, 2005

	Termination/ Sick Leave	Residual Equity Transfer	Service Center	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from interest and rents	\$ -	\$ 214,662	\$ 756,756	\$ 971,418
Payments to suppliers	-	-	(183,506)	(183,506)
Payments for wages and related benefits	(24,261)	-	(409,361)	(433,622)
Net cash provided (used) by operating activities	(24,261)	214,662	163,889	354,290
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer in	39,261	2,374,060	-	2,413,321
Transfer out	-	(2,404,295)	(184,028)	(2,588,323)
Net cash provided (used) by noncapital financing activities	39,261	(30,235)	(184,028)	(175,002)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest earnings	-	76,577	-	76,577
Net increase (decrease) in cash and equivalents	15,000	261,004	(20,139)	255,865
Cash and equivalents, beginning of year	145,981	4,015,340	689,825	4,851,146
Cash and equivalents, end of year	<u>\$ 160,981</u>	<u>\$ 4,276,344</u>	<u>\$ 669,686</u>	<u>\$ 5,107,011</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (24,261)	\$ 10,286	\$ 162,427	\$ 148,452
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Changes in assets and liabilities:				
(Increase) decrease in receivables	-	63,952	-	63,952
(Increase) decrease in due from other funds	-	140,424	-	140,424
Increase (decrease) in accrued payroll	-	-	1,462	1,462
Total adjustments	-	204,376	1,462	205,838
Net cash provided by operating activities	<u>\$ (24,261)</u>	<u>\$ 214,662</u>	<u>\$ 163,889</u>	<u>\$ 354,290</u>

See accompanying notes to financial statements.

COUNTY OF DELTA, MICHIGAN
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
September 30, 2005

	General Trust and Agency	Crime Victim Restitution	Friend of Court Trust	District Court Trust
ASSETS				
Cash and cash equivalents:				
Unrestricted	\$ 2,552,477	\$ 4,551	\$ 1,998	\$ 52,435
Due from other funds	14,446	-	-	-
	<u>2,566,923</u>	<u>4,551</u>	<u>1,998</u>	<u>52,435</u>
Total assets				
LIABILITIES				
Due to other funds	14,994	265	-	-
Due to other units governmental units	91,517	-	-	-
Undistributed taxes	1,715,740	-	-	-
Other liabilities	744,672	4,286	1,998	52,435
	<u>\$ 2,566,923</u>	<u>\$ 4,551</u>	<u>\$ 1,998</u>	<u>\$ 52,435</u>
Total liabilities				

See accompanying notes to financial statements.

Sheriff Inmate Trust		Totals
\$	11,111	\$ 2,622,572
	-	14,446
	11,111	2,637,018
	-	15,259
	-	91,517
	-	1,715,740
	11,111	814,502
\$	11,111	\$ 2,637,018

SINGLE AUDIT



ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
Alan M. Stotz, CPA, Principal
Raymond B. LaMarche, CPA, Principal
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA
Lindsay J. Behrend, CPA
Christina A. Smigowski, CPA

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Members of the Board of Commissioners
County of Delta
Escanaba, Michigan 49829

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Delta, Michigan, as of and for the year ended September 30, 2005, which collectively comprise the County of Delta, Michigan's basic financial statements and have issued our report thereon dated March 8, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting – In planning and performing our audit, we considered the County of Delta, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Members of the Board of Commissioners
County of Delta

Compliance and Other Matters – As part of obtaining reasonable assurance about whether the County of Delta, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

However, we noted certain matters that we reported to management of the County of Delta, Michigan, in a separate letter dated March 8, 2006.

This report is intended solely for the information of management, others within the organization, County Board of Commissioners and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company P.L.C.

Anderson, Tackman & Company, PLC
Certified Public Accountants

March 8, 2006



ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
Alan M. Stotz, CPA, Principal
Raymond B. LaMarche, CPA, Principal
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA
Lindsay J. Behrend, CPA
Christina A. Smigowski, CPA

REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

Members of the Board of Commissioners
County of Delta
Escanaba, Michigan 49829

Compliance

We have audited the compliance of the County of Delta, Michigan with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal program for the year ended September 30, 2005. County of Delta, Michigan's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the County of Delta, Michigan's management. Our responsibility is to express an opinion on County of Delta, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Delta, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County of Delta, Michigan's compliance with those requirements.

In our opinion, the County of Delta, Michigan, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2005. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2005-1.

Members of the Board of Commissioners
County of Delta

Internal Control Over Compliance

The management of the County of Delta, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County of Delta, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the County Board of Commissioners, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company P.C.

Anderson, Tackman & Company, PLC
Certified Public Accountants

March 8, 2006

COUNTY OF DELTA, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended September 30, 2005

<u>Federal grantor/pass-through/program title</u>	<u>Federal CFDA Number</u>	<u>Agency or pass-through number</u>	<u>Federal Expenditures</u>
U.S. Department of Justice:			
Passed through the State of Michigan			
Department of Community Health:			
School Liaison Project	16.592	20040562	\$ -
Byrne Memorial Formula Grant	16.579	70768-7-04-B	25,579
Passed through State of Michigan Family			
Independence Agency:			
Juvenile Accountability Incentive Grant	16.523	JABGN 05-21001	<u>12,699</u>
Total U.S. Department of Justice			<u>38,278</u>
U.S. Department of Health and Human Services:			
Passed through State of Michigan Family			
Independence Agency:			
Child Support Enforcement	93.563	CS/COM-05-21003	444,973
Friend of Court - Federal Incentives	93.563	-	103,618
TANF	93.558	DEL-03-21001	57,908
Promoting Safe and Stable Families	93.556	DEL-03-21001	26,017
Passed through the State of Michigan			
Department of Community Health:			
Childhood Immunization Grants	93.268	20050032	214,639
Maternal and Child Health Service Grant	93.994	20050032	78,606
Medical Assistance Program	93.778	20050032	6,961
Center for Disease Control Prevention			
Investigative Technical Assistance	93.283	20050032	249,227
BCCCP Coordination-Prevention	93.919	20050032	57,550
Preventive Health & Health Services			
Block Grant	93.991	20050032	23,732
Family Planning Services	93.217	20050032	95,732
Passed through Pathways:			
Substance Abuse Prevention & Treatment	93.959	-	191,410
Women & Family Project	93.959	-	<u>21,498</u>
Total U.S. Department of Health and Human Services			<u>\$ 1,571,871</u>

See accompanying notes to the schedule of expenditures of federal awards.

COUNTY OF DELTA, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended September 30, 2005

<u>Federal grantor/pass-through/program title</u>	<u>Federal CFDA Number</u>	<u>Agency or pass-through number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development: Passed through Michigan State Housing Development Authority: Community Development Block Grant	14.228	MSC-2004-735-HOA	\$ 79,560
Federal Emergency Management Agency: Passed through Michigan State Police: Hazardous Mitigation Grant	83.548	HMPG 1346.802.16	25,541
U.S. Department of Education: Passed through Michigan Department of Community Health: Drug-Free Schools and Local Prog	84.168B	-	30,075
U.S. Department of Agriculture: Passed through Michigan Department of Community Health: Special Supplemental Food Program for Women, Infants and Children	10.557	20050032	209,350
U.S. Department of Transportation: Passed through Michigan State Police: State and Community Highway Safety	20.600	-	30,662
U.S. Department of Homeland Security: Passed through Michigan State Police: Emergency Management Performance	97.042	-	4,651
2005 Homeland Security Grant	97.067	-	14,719
Homeland Security Grant	97.004	-	259,597
Total U.S. Department of Homeland Security			278,967
U.S. Department of Commerce (direct funding): Public Works and Economic Development	11.300	06-01-04800	354,968
TOTAL FEDERAL AWARDS			\$ 2,619,272

See accompanying notes to the schedule of expenditures of federal awards.

COUNTY OF DELTA, MICHIGAN
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2005

NOTE A – OVERSIGHT AGENCY

The U.S. Department of Commerce is the current year's oversight agency for single audit as determined by the agency providing the largest share of direct federal financial assistance.

NOTE B – BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards has been prepared on the modified accrual basis of accounting.

NOTE C – PASS-THROUGH GRANT MONIES

During 2005, the County acted as a pass-through agent, receiving \$79,560 in CDBG monies which was passed through to the Community Action Agency. The Community Action Agency was audited by other auditors.

NOTE D – PASS-THROUGH GRANTOR'S OR PROGRAM NUMBERS

The pass-through grantor's number represents the County's provider I.D. number. Such other I.D. numbers were not available or provided by the State administering agencies.

NOTE E – FEDERAL REVENUE RECONCILIATION

Federal revenue per governmental fund financial statements	\$ 2,206,059
Federal expenditures per schedule of expenditures of federal award	<u>2,619,272</u>
Difference	<u>(413,213)</u>
Reconciling items:	
Federal revenues reported in the component units which are included on the schedule of expenditures of federal awards:	
District Health Department	1,178,780
Expenditures reported on the schedule of expenditures of federal in the prior year which were recorded as revenue in the current year	(701,348)
Federal revenue received from the Transportation Security Administration per the governmental fund financial statements, but not on the schedule of expenditures of federal awards because it is considered a vendor relationship.	<u>(64,219)</u>
Reconciled difference	<u>\$ -</u>

COUNTY OF DELTA, MICHIGAN
RULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2005

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the basic financial statements of the County of Delta, Michigan.
2. There were no reportable conditions disclosed during the audit of the basic financial statements to be reported in the *Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
3. There were no instances of noncompliance material to the basic financial statements of the County of Delta, Michigan disclosed during the audit.
4. There were no reportable conditions disclosed during the audit of the major federal programs to be reported in the *Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133*.
5. The auditor's report on compliance for the major federal programs for the County of Delta, Michigan expresses an unqualified opinion.
6. There was one finding noted relative to the major federal programs for the County of Delta and is labeled as 2005-1 in section C.
7. The programs tested as major programs included:
 - Child Support Enforcement CFDA #93.563
 - Public Works and Economic Development CFDA #11.300
8. The threshold for distinguishing Type A & B programs was \$300,000.
9. The County of Delta, Michigan was determined to be a low-risk auditee.

COUNTY OF DELTA, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2005

B. FINDINGS – FINANCIAL STATEMENT AUDIT

2005-1: Budget Noncompliance

Statement of Condition/Criteria: Public Act 621 of 1978 requires that expenditures cannot be incurred until appropriated in accordance with the Uniform Budgeting and Accounting Act. During the fiscal year ended September 30, 2005, the County incurred expenditures in excess of amounts appropriated as follows:

	<u>Total Appropriation</u>	<u>Expenditures</u>	<u>Budget Variance</u>
County Parks	\$ 115,000	\$ 123,374	\$ (8,374)
R.O.D. Automation	72,200	76,583	(4,383)
Law Library	20,575	23,814	(3,239)

During the year ended September 30, 2005, expenditures were incurred in excess of the amounts appropriated in the amended budgets for certain activities or functions within the General Fund, however total expenditures did not exceed total appropriations.

Effect: The County has not complied with various State statutes.

Cause of Condition: Budget amendments were not made prior to the expenditure of funds.

Recommendation: Budget amendments should be made prior to the expenditure of funds.

Status: Management will review budgets monthly and make amendments as deemed necessary.

COUNTY OF DELTA, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2005

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

2005 – 1: Public Works and Economic Development CFDA# 11.300

Statement of Condition/Criteria: Cash management requirements for this program require all disbursements of grant funds be done on a reimbursement basis. There were two instances noted where the County had requested and received reimbursement from the grant prior to actually making the related payments to the contractor.

Effect: The County has not complied with the cash management requirements of the grant.

Cause of Condition: Payments to the contractors were not made prior to requesting and receiving reimbursement of the grant funds.

Recommendation: All invoices that are being requested for reimbursement should be paid prior to the request.

Status: For all future reimbursement requests, management will pay all invoices prior to requesting reimbursement.

COUNTY OF DELTA, MICHIGAN
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2005

**A. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

None

COUNTY OF DELTA, MICHIGAN

REPORT TO MANAGEMENT

Year Ended September 30, 2005



ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
Alan M. Stotz, CPA, Principal
Raymond B. LaMarche, CPA, Principal
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA
Lindsay J. Behrend, CPA
Christina A. Smigowski, CPA

REPORT TO MANAGEMENT

Members of the Board of Commissioners
County of Delta, Michigan

We have audited the financial statements of the County of Delta, Michigan for the year ended September 30, 2005, and have issued our reports thereon dated March 8, 2006. Our professional standards require that we make several communications to you, the purpose of which is to assist you with additional information regarding the scope and results of the audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

Our Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

Our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

In planning and performing our audit, we considered County of Delta, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the County of Delta, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the County of Delta, Michigan's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on the County of Delta, Michigan's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the County of Delta, Michigan's compliance with those requirements.

Significant Accounting Policies

Management has the responsibility for selection of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by the County of Delta, Michigan are described in Note A of the financial statements.

We noted no transactions entered into by the County of Delta, Michigan during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Management Judgments and Accounting Estimates

Some accounting estimates are utilized in financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the estimates. The most sensitive estimates affecting the financial statements were the useful lives of property and equipment for the purpose of calculating depreciation.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Our audit adjustments, individually and in the aggregate, were material and were primarily made to properly accrue revenues and expenditures.

Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the financial statements of the County of Delta, Michigan or a determination of the type of auditor's opinion to be expressed on those statements, our professional standards require the consulting accountant to advise us as to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County of Delta's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in the performance of our audit.

In planning and performing our audit of the financial statements of the County of Delta, Michigan, for the year ended September 30, 2005, we considered the County of Delta, Michigan's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and recommendations regarding those matters. This letter does not affect our report dated March 8, 2006, on the financial statements of the County of Delta, Michigan.

We have already discussed many of these comments and suggestions with various County personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This information is intended solely for the use of members of the County Board, management of Delta County and federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company P.C.

Anderson, Tackman & Company, PLC
Certified Public Accountants

March 8, 2006

COUNTY OF DELTA, MICHIGAN

COMMENTS AND RECOMMENDATIONS

September 30, 2005

Sheriff Inmate Trust

Comment:

We noted that the inmate trust bank account could not be reconciled with the inmate payable accounts.

Recommendation:

Each month a reconciliation should be performed between the bank statement balance and the amount due to the inmates.

Management Response:

The County Treasurer has taken over reconciling the sheriff inmate trust bank account with the inmate payable accounts but has been unable to get the reconciliation to work out.

Year-End Accruals

Comment:

Accruals for revenues and expenditures are not being recorded at year-end.

Recommendation:

In order to accurately reflect the fiscal year activity, County personnel should make the appropriate accruals at the end of the fiscal year.

Management Response:

Year end accruals are handled annually in the past through the adjusting journal entries. This system has worked fine for years.

COUNTY OF DELTA, MICHIGAN

COMMENTS AND RECOMMENDATIONS

September 30, 2005

General Trust and Agency

Comment:

By definition, an agency fund is used to report resources held by the reporting government in a purely custodial capacity. In prior years, the appropriations that were unexpended in certain fund line items of the General Fund were transferred to the General Trust and Agency. Consequently, a portion of the General Trust and Agency's cash balance consists of money that is not due to other agencies.

We also noted that certain grant monies the County receives in its name and passes through to other government agencies is recorded in the General Trust and Agency.

Recommendation:

We recommend cash that belongs to the County, which is recorded in the General Trust and Agency be transferred to the appropriate fund of the County. Also, grant monies received in the County's name should be reported in the General Fund, in order to properly report the revenue and expenditure of funds received. We also recommend that the County reconcile all the account balances in the General Trust and Agency to ensure that all balances are properly accounted for.

Management Response:

General Trust and Agency is a fund within the general ledger and all activity in and out is recorded in it. We will attempt to set up Trust and Agency to report activity as recommended.

Journal Entries Without Support or Approval

Comment:

We noted journal entries made to the general ledger did not have an approval signature.

Recommendation:

All journal entries should be approved by a second individual who is independent of the journal entry and who has the knowledge and authority to authorize the journal entry.

Management Response:

Administration will review the recommendation and establish a procedure to have a second individual approve journal entries.

COUNTY OF DELTA, MICHIGAN

COMMENTS AND RECOMMENDATIONS

September 30, 2005

Commercial Forest Reserve Liability

Comment:

In 1996, the County issued a check in the amount of \$174,753.34 to the State of Michigan for the payment of the 1995 Commercial Forest Reserve distribution. This check was outstanding to the County for a couple of years and despite discussions with several State agencies, the County was unable to ascertain whether or not the check was accounted for. Consequently, the County stopped payment on the check in 1998, and recorded a liability for the same amount. This liability has remained on the books of the County since that time.

Recommendation:

We recommend the County thoroughly investigate whether or not this liability is, in fact due to the State. Once this determination is made, the County should either relieve the liability by reissuing a check to the State or writing it off.

Management Response:

These funds will be placed in the General Trust and Agency and held there until final disposition of these funds can be determined.

COUNTY OF DELTA, MICHIGAN

COMMENTS AND RECOMMENDATIONS

September 30, 2005

Probate Court Receipt System

Comment:

We noted during our testing a skip in the sequence of computer generated receipts. We were told this may have been the result of a receipt being entered and subsequently deleted. Upon reviewing the computer receipting system, it was noted that the computer assigns transaction numbers to all activities entered into the system, whether a receipt or a charge. Although this helps to explain skips in sequencing, it was discovered that no one in the department accounts for, or reconciles for the gaps in transaction numbers to ensure completeness of all receipting activities. We also noted the court issues manual receipts for some over the counter payments and these manual receipt books are not used in numerical sequence.

Recommendation:

If possible, the court should use their computerized receipt system for all receipt activity and review the system to ensure that receipts cannot be deleted once they are issued. If the system allows for receipts to be deleted and cannot be changed, all receipts that were deleted should be reviewed and approved by an appropriate court employee to strengthen internal controls over cash receipting. To ensure completeness of all receipts and to strengthen internal controls over cash receipting, a responsible person in the department should reconcile the transaction numbers assigned by the computer system to the actual receipts of the department at the time of preparing the transmittal to the Treasurer. If manual receipt books must be used, all receipt books should be sequential in numbering in order to account for all receipting activity.

Management Response:

Administration will discuss this issue with probate court.

Crime Victim Restitution Fund

Comment:

The Crime Victim Restitution Fund, #702, has not had any activity in it for several years.

Recommendation:

We recommend the balance in this fund be investigated and that it be disbursed to the proper entity.

Management Response:

No management response received.

COUNTY OF DELTA, MICHIGAN

COMMENTS AND RECOMMENDATIONS

September 30, 2005

Circuit Court Bond Listing

Comment:

The circuit court bond listing provided from the Clerk's office did not agree to the balance recorded in the general ledger.

Recommendation:

County personnel should reconcile the difference between the bond listing and the general ledger and continue to do this on a monthly basis. This will improve the internal controls over the collection and disbursement of bond monies.

Management Response:

The County Clerk's office is working with the State Court Administrator's office to rectify this issue. The SCAO recommends that the unclaimed balance be escheated to the State in October 2006. The Clerk's office has begun reconciling their books on a monthly basis to ensure the bonds balance.

Password Protection

Comment:

During inquiry of departmental personnel, it came to our attention that system passwords are not changed on a regular basis, and that passwords are known and may be used by other persons in that department.

Recommendation:

System passwords are used to limit access to certain authorized computer applications. Sharing of passwords can compromise the controls implemented to keep applications accessible to those with a logical need to the data or to the application. Passwords should be changed on a regular basis and should not be shared with other departmental employees. This will help to increase internal controls over access to computer applications, and to leave an adequate trail of which personnel introduced the activity into the computer system application.

Management Response:

Administration has sent out a memo to all departments to remind them to change their passwords periodically.

COUNTY OF DELTA, MICHIGAN

COMMENTS AND RECOMMENDATIONS

September 30, 2005

Outstanding Checks

Comment:

During our testing of cash, we noted several checks listed as reconciling items have been outstanding for over one year and some for several years.

Recommendation:

The County should consider escheating checks that have been outstanding for over a year to the State.

Management Response:

Administration will review this issue with the appropriate County personnel.

Recording of Delinquent Personal Property Tax

Comment:

We noted that delinquent personal property taxes are not recorded in the general ledger for the funds applicable to the General Fund, the Road Patrol Fund, or for the Senior Citizens Fund.

Recommendation:

The value of the County's portion of delinquent personal property taxes should be recorded in the County's general ledger in effort to track the balance of the personal property tax funds due to the County from local taxing units.

Management Response:

Administration will discuss this issue with the County Treasurer.

COUNTY OF DELTA, MICHIGAN

COMMENTS AND RECOMMENDATIONS

September 30, 2005

Airport PFC Collections

Comment:

During our testing of the Airport passenger facility charge collections, we noted that the accumulation of PFC funds could not be reconciled to prior or current approved projects.

Recommendation:

The accumulation of the PFC funds should be reconciled to ensure that the County is not collecting PFC funds in excess of approved projects. Because these PFC projects are typically paid for prior to the collection to the PFC's, the accumulation of these funds could relate to projects completed in prior years, which were originally paid for from another County fund.

Management Response:

The airport manager is working with the FAA and the Michigan Bureau of Aeronautics to reconcile the PFC accounts.

Separate Checkbooks Maintained by Treasurers Office

Comment:

It came to our attention the County Treasurer maintains separate checkbooks for the delinquent tax revolving funds which are not subject to any second party approval or review.

Recommendation:

In order to strengthen the internal controls over County funds, we recommend that these individual bank accounts be closed and that disbursements out of the delinquent tax revolving funds go through the same approval process as any other County payments.

Management Response:

No management response received.

COUNTY OF DELTA, MICHIGAN

COMMENTS AND RECOMMENDATIONS

September 30, 2005

Timesheet Records

Comment:

During our testing of payroll records, we noted that there are both hourly and salaried employees who are being paid for ten hours a day, with time being charged to vacation, overtime and a grant for a given day. These individuals are also being paid for 90 hours of work per pay period at straight time.

Recommendation:

We recommend that timesheets reflect actual hours worked for each day and that a determination be made to see if these individuals should be paid overtime for any hours over 40 hours per week. It appears improper for an employee who records 8 hours of vacation time on a given day to also record 1 hour of overtime and 1 hour charged to a grant for a total of 10 hours for that day.

Management Response:

No management response received.

Approval of Pay Rates

Comment:

Pay rates for individuals who are not covered by a contract, typically the pay rate is approved as a percentage increase over their prior year's rate.

Recommendation:

For clarity in confirming approved pay rates, we recommend that all County employees who are not covered by a contract have their annual salary or hourly rate presented to the County Board and approved in that fashion.

Management Response:

Administration will revise the budget resolution to provide this information for County Board approval.

COUNTY OF DELTA, MICHIGAN

COMMENTS AND RECOMMENDATIONS

September 30, 2005

Invoice Paid Twice

Comment:

During our testing we noted an invoice for dive equipment had been paid twice, once in January 2005 and again in October 2005.

Recommendation:

Department heads should ensure vouchers that are presented for payment have been adequately reviewed and have not been previously paid.

Management Response:

Administration has noted this incident and recovered the overpayment. Administration has advised department heads to submit invoices for payment, not quotes or proposals.

Grant Noncompliance

Comment:

During our testing of the EDA grant for the renaissance zone project, we noted that the County had received reimbursement from the grant prior to actually paying the invoices for which reimbursement was requested.

Recommendation:

In order to comply with the grant requirements, all payments to vendors should be paid prior to requesting reimbursement from the grantor agency.

Management Response:

Administration will change the procedure to comply with the grant requirements.

COUNTY OF DELTA, MICHIGAN

COMMENTS AND RECOMMENDATIONS

September 30, 2005

Interest Collections on Delinquent Taxes

Comment:

We noted a delinquent 2002 tax bill that was undercharged interest of approximately \$5,900.

Recommendation:

Interest charges on delinquent taxes should be review to ensure that the proper rate is being charged as determined by State law.

Management Response:

No management response received.

Budget and Fund Balance Noncompliance

Comment:

Public Act 621 of 1978, as amended, requires the adoption of a balanced budget for the General Fund and Special Revenue Funds, as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

For the year ended September 30, 2005, there were three funds where expenditures exceeded appropriations. It was also noted there were three funds that had a deficit unreserved fund balance.

Recommendation:

We recommend expenditure accounts be closely monitored in order to determine the need to amend the budget to prevent budget violations and that a deficit elimination plan be developed and submitted to the Michigan Department of Treasury for funds in a deficit fund balance position.

Management Response:

All funds will be closely monitored to insure expenditures do not exceed appropriations in the various funds and will make budget amendments as needed. A deficit elimination plan will be submitted to the Department of Treasury.

COUNTY OF DELTA, MICHIGAN

COMMENTS AND RECOMMENDATIONS

September 30, 2005

Unlawful Expenditures

Comment:

It was noted that the County had applied and received 2% grant monies from tribal organizations and passed these funds to non-profit organizations. The Indian Tribes are required by the gaming compact to distribute 2% of the net win derived from all class III electronic games of chance to any local units of state government in the immediate vicinity of each tribal casino. Because the County is applying for these grants on-behalf of non-profit organizations, as some of these non-profits are not eligible as local units of state government, these funds are revenues and expenditures to the County. The Michigan Department of Treasury has specifically issued guidance stating that contributions to churches, veterans, non-profit organizations and community organizations are prohibited expenditures.

We also noted that these funds were recorded in the General Trust and Agency, which does not properly reflect the revenue and expenditure of these 2% grants received by the County.

Recommendation:

We recommend that all future 2% grant applications submitted to tribal organizations be made for activities which are lawful as defined by the Michigan Department of Treasury and that when 2% grant monies are received they should be recorded in the General Fund or a special revenue fund of the County to properly reflect the revenue and expenditure of the grant funds.

Management Response:

Administration will formulate a policy for County Board approval for 2% grant requests, to ensure they comply as lawful expenditures as defined by the Department of Treasury.